NINETEENTH ANNUAL CONFERENCE
MULTINATIONAL FINANCE SOCIETY

http://www.mfsociety.org

Organized by

Department of Economics, Finance
and Environmental Management
Faculty of Management
AGH University of Science and Technology
Krakow, Poland

LeBow College of Business,
Drexel University, Philadelphia, USA

June 24 - June 27, 2012
Novotel Krakow Bronowice
Ul. Armii Krajowej 11
30-150 Krakow
POLAND

NINETEENTH ANNUAL CONFERENCE OF THE MULTINATIONAL FINANCE SOCIETY
June 24 - June 27, 2012, Kraków, Poland

Multinational Finance Society

Multinational Finance Society : A non-profit organization established in 1995 for the advancement and dissemination of financial knowledge and research findings pertaining to industrialized and developing countries among members of the academic and business communities.

Conference Objective

The objective of the conference is to bring together academic researchers, educators and practitioners from various international institutions to focus on timely financial issues and research findings pertaining to industrialized and developing countries including the recent financial and economic crisis.

Keynote Speakers

Jay R. Ritter – University of Florida, USA
David L. Yermack – New York University, USA

Program Committee - Chairs

Leszek Preisner - AGH Univeristy of Science and Technology, Kraków, Poland
Panayiotis Theodossiou - CUT and Rutgers University, USA
Ania Zalewska - University of Bath, UK

Program Committee

Panayiotis Andreou - Cyprus University of Technology, Cyprus
George Athanassakos - University of Western Ontario, Canada
William J. Bertin - Bond University, Australia
Laurence Booth - University of Toronto, Canada
Ephraim Clark - Middlesex University, UK
George Constantinides - University of Chicago, USA
Ian Cooper - London Business School, UK
Gonzalo Cortazar - Pontificia Universidad Catolica de Chile, Chile
Giorgio Di Giorgio - Luiss Guido Carli University, Italy
Andre Dorsman - VU University Amsterdam, Netherlands
Jean-Francois Gajewski - University of Savoie, France
Mehmet Baha Karan - Hacettepe University, Turkey
Petko Kalev - University of South Australia, Australia
Alan Wong Wing Keung - Hong Kong Baptist University, Hong Kong
Nabil Khoury - University of Quebec, Canada
Johan Knif - HANKEN, Finland
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Christodoulos Louca - Cyprus University of Technology, Cyprus
Tassos Malliaris - Loyola University of Chicago, USA
Nikolaos T. Milonas - University of Athens, Greece
Tony Naughton - RMIT, Australia
Christos Negakis - University of Makedonia, Greece
Edgar Ortiz - UNAM, Mexico
Geoffrey Poitras - Simon Fraser University, Canada
Seppo Pynnönen - University of Vaasa, Finland
Wendy Rotenberg - University of Toronto, Canada
Christos Savva - Cyprus University of Technology, Cyprus
Frank Skinner - University of Surrey, UK
Marti G. Subrahmanyam - New York University, USA
Alireza Tourani-Rad - Auckland University of Technology, New Zealand
George Tsetsekos - Drexel University, USA

Local Organizing Committee

AGH University of Science and Technology, Kraków, Poland: Leszek Preisner (Chair); Malgorzata Bialas (Co-Chair); Andrzej Dura; Alina Dyduch; Tadeusz Pindór
Katowice University of Economics, Poland: Halina Buk
Warsaw School of Economics, Warsaw, Poland: Elzbieta Chrabonszczewska
Kraków University of Economics, Poland: Jan Czekaj; Zbigniew Dresler; Stanislaw Owsiak
Nicolaus Copernicus University, Torun, Poland: Leszek Dziawgo
University of Gdansk, Poland: Jerzy Gierusz
Wroclaw University of Economics, Poland: Krzysztof Jajuga; Marek Lyszczak
Czestochowa University of Technology, Poland: Helena Koscielniak
University of Lodz, Poland: Jerzy Rozanski; Ewa Walinska
Jagiellonian University, Kraków, Poland: Andrzej Szopa
University of Szczecin, Poland: Dariusz Zarzecki

MULTINATIONAL FINANCE SOCIETY
OFFICERS AND DIRECTORS

A. BOARD OF DIRECTORS

1. Chairman of the Board of Trustees (2011-2012)	– Laurence Booth
2. President (2011-2012)	– Tassos Malliaris
3. President Elect (2011-2012)	– Giorgio Di Giorgio
4. Managing Director (2011-)	– TBA
5. Executive Secretary and Treasurer (2010-2013)	– Christos Negakis
6. V.P. of Meetings (2011-2012)	– Leszek Preisner
7. V.P. of Programs (2011-2012)	– Ania Zalewska
8. V.P. of Membership (2010-2013)	– Frank Skinner
9. Board of Trustees Director A (2010-2013)	– Edgar Ortiz
10. Board of Trustees Director B (2011-2014)	– George Athanassakos
11. Directors-at-Large 1 (2009-2012)	– Mehmet Baha Karan
12. Directors-at-Large 2 (2009-2012)	– Wendy Rotenberg
13. Directors-at-Large 3 (2010-2013)	– Johan Knif
14. Directors-at-Large 4 (2010-2013)	– Samuel Szewczyk
15. Directors-at-Large 5 (2011-2014)	– Usha Mitto
16. Directors-at-Large 6 (2011-2014)	– Andre Dorsman

B. EXECUTIVE COMMITTEE

1. Chairman of the Board of Trustees (2011-2012)	– Laurence Booth
2. President (2011-2012)	– Tassos Malliaris
3. President Elect (2011-2012)	– Giorgio Di Giorgio
4. Managing Director (2009-)	– TBA
5. Executive Secretary and Treasurer (2010-2013)	– Christos Negakis
6. Editor-In-Chief (2011-2016)	– Panayiotis Theodossiou

C. ADMINISTRATIVE

1. Business Manager	– Niki Theodossiou
2. Administrative Staff	– Fanos Theodossiou

D. PAST PRESIDENTS

1995 – 1996 Panayiotis Theodossiou
1996 – 1997 George Philippatos
1997 – 1998 G. Geoffrey Booth
1998 – 1999 Jerry Stevens
1999 – 2000 Nickolaos Travlos
2000 – 2001 Teppo Martikainen*
2001 – 2002 George Athanassakos
2002 – 2003 George Tsetsekos
2003 – 2004 Francesco Paris*
2004 – 2005 Ephraim Clark
2005 – 2006 Lawrence Kryzanowski
2006 – 2007 Mehmet Baha Karan
2007 – 2008 Panayotis Alexakis
2008 – 2009 Christos Negakis
2009 – 2010 Samuel Szewczyk
2010 – 2011 Laurence Booth

* Deceased

19th Annual Conference of the Multinational Finance Society

LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues,

Let us welcome you all to the 19^{th} Annual Conference of the Multinational Finance Society (MFS) in the beautiful and historical city of Kraków. Since last year's meeting in Rome, the economic and financial situation around the world has not improved. In fact, quite the opposite has occurred - the general economic slowdown and in particular, turbulence in the banking sector of numerous countries in the European Union has proven that discussing financial issues and finding solutions to financial problems remains critical.

The experience of recent years has shown once more that no modern country can operate and develop without a strong financial sector - building such is neither easy nor straightforward and therefore discussing financial issues is of paramount importance. The wide range of participation from academicians and practitioners circles and the broad range of research topics covered in this conference proves this point very clearly.

Following the success of past conferences, this year's meeting has also received many excellent submissions. In total, we received over 500 papers - of those papers, 320 were accepted for presentation by the Program Committee. This year's conference program includes 251 papers covering a wide range of research areas making the conference a perfect platform for research exchange and inspiration. Once more, it is wonderful to welcome our participants from so many countries, such as Australia, Canada, China, Cyprus, Finland, France, Germany, Greece, India, Israel, Italy, Korea, Mexico, Netherlands, New Zealand, Russia, Singapore, Spain, South Africa, Taiwan, Thailand, Turkey, the United Kingdom, the United States and Vietnam. This creates an opportunity to not only meet our old friends again but also our new colleagues from Poland as well as other first-comers.

We are lucky this year to have two outstanding keynote speakers, Jay R. Ritter from the University of Florida and David L. Yermack from New York University.

We have a wonderful location in the old city of Kraków, which is famous for its Renaissance architecture, as well as, its academic and cultural contribution to the world. This, however, would be not possible without significant organizational support from our host institution, the Department of Economics, Finance and Environmental Management, Faculty of Management at AGH University of Science and Technology, Krakow, Poland. This year, AGH celebrates its 90th anniversary teaching Economics and Finance, thus being one of the first in Poland and Central Europe to do so. We would also like to thank LeBow College of Business, Drexel University, Philadelphia, Pennsylvania, USA for financial support.

The conference event planned for the evening of June 25th, 2012 will take place in a spectacular Slowacki Theatre and is organized by the Marshal of Malopolska Krakow Region.

On behalf of everyone involved, we would like to thank the institutions mentioned above, the members of the Local Organizing Committee, and all other individuals who have helped bring the conference about. It would have not been possible without all of your hard work!

We wish you a pleasant stay in Kraków and we hope you enjoy the 19^{th} Annual Conference of the Multinational Finance Society.

The Program Chairs,

Leszek Preisner
Panayiotis Theodossiou
Ania Zalewska

GENERAL INFORMATION

SPONSORING INSTITUTIONS

Department of Economics, Finance and Environmental Management
AGH University of Science and Metallurgy, Kraków, Poland

LeBow College of Business
Drexel University, USA

CONFERENCE INQUIRIES

Global Business Publications
mfc@mfsociety.org

CONFERENCE REGISTRATION

Sunday, June 24 (Novotel)	10:30 a.m. - 1:00 p.m. & 6:00 p.m. - 10 p.m.
Monday, June 25 (Novotel)	8:00 a.m. - 6:00 p.m.
Tuesday, June 26 (Novotel)	8:00 a.m. - 6:00 p.m.

SOCIAL FUNCTIONS

Sunday, June 24

Welcome Reception, Novotel Bronowice	8:00 p.m. - 10:00 p.m.
Meeting of the Board of Directors and Trustees, hotel Novotel	6:00 p.m. - 7:30 p.m.

Monday, June 25

Luncheon (Magnolia & Azalia)	12:15 p.m. - 1:45 p.m.
Refreshments	3:30 p.m. - 3:45 p.m.
Bus transfer from Novotel to Slowacki Theatre (every 15 minutes)	6:00 p.m. - 7:00 p.m.
Welcome Speeches by Professors Preisner, Theodossiou and Mr. Sowa.	7:15 p.m. - 7:30 p.m.
Keynote Speech (Prof. Yermack - Slowacki Theatre)	7:30 p.m. - 8:15 p.m.
The Song and Dance Ensemble “Krakus” of AGH in Slowacki Theatre	8:20 p.m. - 9:20 p.m.
Mini bus transfer from Theatre to Novotel (9:30, 10:10, 10:50, 11:30 p.m.)	9:30 p.m. - 11:30 p.m.

Tuesday, June 26

Luncheon (Magnolia & Azalia)	12:15 p.m - 1:45 p.m.
Refreshments	3:30 p.m - 3:45 p.m.
Bus transfer from Novotel to Aula AGH (every 15 minutes)	6:00 p.m. - 7:00 p.m.
Keynote Speech (Prof. Ritter - Aula AGH)	7:15 p.m - 8:15 p.m.
Dinner (Crown Piast Hotel)	9:00 p.m. - midnight

LIST OF SESSIONS

Monday 8:30-10:15

Session 1	Portfolio Management I	Room 1
Session 2	Corporate Governance I	Room 2
Session 3	Banks I	Room 3
Session 4	Real Estate	Room 4
Session 5	Financial Crisis I	Room 5
Session 6	Volatility I	Room 6
Session 7	Derivative Markets I	Room 7
Session 8	Capital Structure I	Room 8

Monday 10:30-12:15

Session 9	Portfolio Management II	Room 1
Session 10	Corporate Governance II	Room 2
Session 11	Banks II	Room 3
Session 12	Financial Distress	Room 4
Session 13	Financial Crisis II	Room 5
Session 14	Volatility II	Room 6
Session 15	Derivative Markets II	Room 7
Session 16	Capital Structure II	Room 8

Monday 1:45-3:30

Session 17	Portfolio Management III	Room 1
Session 18	Executive Compensation	Room 2
Session 19	Banks III	Room 3
Session 20	Accounting Issues I	Room 4
Session 21	Financial Crisis III	Room 5
Session 22	Credit Risk I	Room 6
Session 23	Financial Engineering	Room 7
Session 24	Cross Listing	Room 8

Monday 3:45-5:30

Session 25	Portfolio Management IV	Room 1
Session 26	SMEs	Room 2
Session 27	Banks IV	Room 3
Session 28	Analysts	Room 4
Session 29	Emerging Markets I	Room 5
Session 30	Credit Risk II	Room 6
Session 31	Asset Pricing I	Room 7
Session 32	Venture Capital	Room 8

LIST OF SESSIONS

Tuesday 8:30-10:15

Session 33	Market Efficiency I	Room 1
Session 34	Corporate Finance	Room 2
Session 35	Funds I	Room 3
Session 36	Accounting Issues II	Room 4
Session 37	Emerging Markets II	Room 5
Session 38	Cash Holdings	Room 6
Session 39	Asset Pricing II	Room 7
Session 40	Mergers and Acquisitions I	Room 8

Tuesday 10:30-12:15

Session 41	Market Efficiency II	Room 1
Session 42	Payout Policy I	Room 2
Session 43	Funds II	Room 3
Session 44	Behavioral Finance I	Room 4
Session 45	Emerging Markets III	Room 5
Session 46	SEOs/IPOs I	Room 6
Session 47	International Economics	Room 7
Session 48	Mergers and Acquisitions II	Room 8

Tuesday 1:45-3:30

Session 49	Market Efficiency III	Room 1
Session 50	Payout Policy II	Room 2
Session 51	Liquidity I	Room 3
Session 52	Behavioral Finance II	Room 4
Session 53	Econometrics	Room 5
Session 54	SEOs/IPOs II	Room 6
Session 55	Commodities	Room 7
Session 56	Cost of Equity Capital	Room 8

Tuesday 3:45-5:30

Session 57	Microstructure	Room 1
Session 58	Real Options	Room 2
Session 59	Liquidity II	Room 3
Session 60	Behavioral Finance III	Room 4
Session 61	Exchange Rates	Room 5
Session 62	SEOs/IPOs III	Room 6
Session 63	Hedging	Room 7
Session 64	Valuation	Room 8

Monday 8:30-10:15

SESSION 1 **Room 1**

PORTFOLIO MANAGEMENT I
Session Chair: Lakshman Alles - Curtin University of Technology, Australia

"Practical Weight-Constrained Conditioned Portfolio Optimization Using Risk Aversion Indicator Signals"
Marc Boissaux - University of Luxembourg, Luxembourg
Jang Schiltz - University of Luxembourg, Luxembourg

Discussant: Yakov Amihud - New York University, United States

"Mutual Fund R-sqr As Predictor Of Performance"
Yakov Amihud - New York University, United States
Ruslan Goyenko - McGill University, Canada

Discussant: Ursula Walther - Frankfurt School of Finance and Management, Germany

"Inhomogeneous Network Models for US Financial Systems"
Arnd Hubsch - Frankfurt School of Finance and Management, Germany
Ursula Walther - Frankfurt School of Finance and Management, Germany

Discussant: Yuliya Plyakha - Goethe University Frankfurt, Germany

"Why Does an Equal-Weighted Portfolio Outperform Value- and Price-Weighted Portfolios?"
Yuliya Plyakha - Goethe University Frankfurt, Germany
Raman Uppal - CEPR, United Kingdom
Grigory Vilkov - Goethe University Frankfurt, Germany

Discussant: Marc Boissaux - University of Luxembourg, Luxembourg

SESSION 2 **Room 2**

CORPORATE GOVERNANCE I
Session Chair: Dan Palmon - Rutgers Business School, United States

"Does a Country's Financial and Legal Systems Contemporaneously Impact the Governance and Performance Relationship: Further Evidence?"
Anne Anderson - Lehigh University, United States
Parveen Gupta - Lehigh University, United States
Andrey Zagorchev - Concord University, United States

Discussant: Ronen Barak - Bar Ilan University, Israel

"Ownership Concentration and the Value Effect of Related Party Transactions"
Yaron Amzaleg - Peres Academic Center, Israel
Ronen Barak - Bar Ilan University, Israel

Discussant: Elyas Elyasiani - Temple University, United States

"Bank Holding Company Performance, Risk and "Busy" Board of Directors"
Elyas Elyasiani - Temple University, United States
Ling Zhang - Temple University, United States

Discussant: Joseph Gawer - Natixis Asset Management, France

"Corporate Governance Scores and Medium-Term Stock Returns"
Joseph Gawer - Natixis Asset Management, France

Discussant: Andrey Zagorchev - Concord University, United States

SESSION 3 **Room 3**

BANKS I
Session Chair: Taufiq Choudhry - University of Southampton, United Kingdom

"A Behavioral Analysis of Informational Efficiency in Bank-Based Financial Systems"
David Peon - Universidade Da Coruna, Spain
Anxo Calvo - Universidade Da Coruna, Spain

Discussant: Tomasz Michalski - HEC Paris, France

"US Banking Integration and State-Level Exports"
Tomasz Michalski - HEC Paris, France
Evren Ors - HEC Paris, France

Discussant: Melek Acar Boyacioglu - Selcuk University, Turkey

"Measurement of Financial Efficiency in the Turkish Banking Sector Using the Data Envelopment Analysis"
I. Erem Sahin - Selçuk University, Turkey
Ramazan Aktas - TOBB University of Economics and Technology, Turkey
Melek Acar Boyacioglu - Selcuk University, Turkey

Discussant: Sazali Abidin - University of Waikato, New Zealand

"Banking Efficiency in Asia-Pacific Countries"
Sazali Abidin - University of Waikato, New Zealand
Enkhzaya Erdenebileg - University of Waikato, New Zealand
Azilawati Banchit - University of Waikato, New Zealand

Discussant: David Peon - Universidade Da Coruna, Spain

SESSION 4 **Room 4**

REAL ESTATE
Session Chair: Giovanni Favara - IMF, United States

"Taxable Subsidiaries Within a Tax-Sheltered Firm: The Case of Real Estate Investment Trusts"
Anamaria Calincan - University of Missouri, United States
Dan French - University of Missouri, United States

Discussant: Francisco Jose Callado Munoz - University of Girona, Spain

"Determinants of Households' Risk"
Francisco Jose Callado Munoz - University of Girona, Spain
Natalia Utrero Gonzalez - University of Girona, Spain

Discussant: Giovanni Favara - IMF, United States

"Credit Supply and the Price of Housing"
Giovanni Favara - IMF, United States
Jean Imbs - Paris School of Economics, France

Discussant: George Georgopoulos - York University, Canada

"Factors Determining Bank Debt vs Bond Debt of Canadian Corporations"
George Georgopoulos - York University, Canada

Discussant: Dan French - University of Missouri, United States

SESSION 5 **Room 5**

FINANCIAL CRISIS I
Session Chair: Ania Zalewska - University of Bath, United Kingdom

"Are Short Sellers Positive Feedback Traders? Evidence from the Global Financial Crisis"
Martin Bohl - University of Munster, Germany
Arne Klein - Westphalian Wilhelminian University of Munster, Germany
Pierre Siklos - Wilfrid Laurier University, Canada

Discussant: Anastasios Malliaris - Loyola University Chicago, United States

"Global Financial Imbalances: The Role of the Financial Crisis"
Anastasios Malliaris - Loyola University Chicago, United States
Mary Malliaris - Loyola University Chicago, United States

Discussant: Marco Guidi - University of Glasgow, United Kingdom

"The Moral Deficit of Financial Institutions and the Credit Crisis: The the Moral Debt Perspective"
Marco Guidi - University of Glasgow, United Kingdom

Discussant: Ma Tai - National Sun Yat-Sen University, Taiwan

"The Role of Individual Investors in Liquidity Risk and Financial Crisis"
Tai Ma - National Sun Yat-Sen University, Taiwan
Kai-Wei Chang - National Sun Yat-Sen University, Taiwan
Chun-Hao Yin - National Sun Yat-Sen University, Taiwan

Discussant: Martin Bohl - University of Munster, Germany

SESSION 6 **Room 6**

VOLATILITY I
Session Chair: Ali Termos - American University of Beirut, Lebanon

"Volatility and Shock Transmission Between ISE City Indices and Main Indices"
Ekin Tokat - TOBB University of Economics and Technology, Turkey
Esref Basci - Hitit University, Turkey
Mehmet Doganay - Cankaya University, Turkey
Ramazan Aktas - TOBB University of Economics and Technology, Turkey

Discussant: Peter Molnar - Norwegian University of Science and Technology, Norway

"High-Low Range in GARCH Models of Stock Return Volatility"
Peter Molnar - Norwegian University of Science and Technology, Norway

Discussant: Faten Ben Slimane - Groupe Esc Troyes, France

"Interdependency and Spillover during the Financial Crisis of 2007 to 2009 – Evidence from High Frequency Intraday Data"
Faten Ben Slimane - Groupe ESC Troyes, France
Mohamed Mehanaoui - Paris West University Nanterre La Défense, France
Irfan A. Kazi - Paris West University, France

Discussant: Hue Hwa Au Yong - Monash University, Australia

"Contagion and Flight-to-Quality: Evidences from the Asia-Pacific Economic Cooperation (APEC) Region"
Yu-Tung Peng - Monash University, Australia
Hue Hwa Au Yong - Monash University, Australia
Sirimon Treepongkaruna - The University of Western Australia, Australia

Discussant: Mehmet Doganay - Cankaya University, Turkey

SESSION 7 **Room 7**

DERIVATIVE MARKETS I
Session Chair: Gautam Goswami - Fordham University, United States

"An Empirical Comparison of Ad Hoc Black and Scholes Models"
Suk Joon Byun - Korea Advanced Institute of Science and Technology, Korea
Sol Kim - Hankuk University of Foreign Studies, Korea
Dong Woo Rhee - Samsung Asset Management, Korea

Discussant: Anastasios Kagkadis - Durham University, United Kingdom

"Investor Sentiments, Rational Beliefs and Option Prices"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Anastasios Kagkadis - Durham University, United Kingdom
Dennis Philip - Durham University, United Kingdom

Discussant: Maria-Isabel Martinez-Serna - Universidad de Murcia, Spain

"The Role of Implied Volatility for Explaining Consumer Sentiment: Evidence for the US and Germany"
Raquel Lopez - University of Castilla - La Mancha, Spain
Maria-Isabel Martinez-Serna - Universidad de Murcia, Spain
Eliseo Navarro - Universidad de Alcalá, Spain

Discussant: Helena Koscielniak - Czestochowa University of Technology, Poland

"Jessica – Financial Engineering In Poland"
Helena Koscielniak - Czestochowa University of Technology, Poland
Mateusz Gorka - Centrum Projektow Rewitalizacji S.A., Poland

Discussant: Sol Kim - Hankuk University of Foreign Studies, Korea

SESSION 8 **Room 8**

CAPITAL STRUCTURE I

Session Chair: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"Does Anchoring Explain Capital Structure Decisions?"
Khaled Soufani - Concordia University, Canada
Terence Tse - ESCP Europe, United Kingdom
Othman Cole - ESCP Europe, United Kingdom
Anas Aboulamer - Concordia University, Canada

Discussant: Laurie Prather - Bond Univeristy, Australia

"The Impact of Product Warranties on the Capital Structure of Australian Firms"
Bayan Arqawi - Bond University, Australia
William Bertin - Bond University, Australia
Laurie Prather - Bond Univeristy, Australia

Discussant: Zeynep Onder - Bilkent University, Turkey

"Determinants of Capital Structures of Small and Medium Enterprises in Turkey"
Ugur Cakova - Bilkent University, Turkey
Zeynep Onder - Bilkent University, Turkey

Discussant: Agnieszka Trzeciakiewicz - The University of Hull, United Kingdom

"CEO's Power of Influence on Board of Directors and its Impact on Capital Structure"
Agnieszka Trzeciakiewicz - The University of Hull, United Kingdom

Discussant: Anas Aboulamer - Concordia University, Canada

Monday 10:30-12:15

SESSION 9 **Room 1**

PORTFOLIO MANAGEMENT II
Session Chair: Ursula Walther - Frankfurt School of Finance and Management, Germany

"Are There Excess Rewards for Exposure to Downside Risk? An Empirical Examination of Asian Markets During Both Upturns and Downturns"
Lakshman Alles - Curtin University of Technology, Australia
Louis Murray - University College Dublin, Ireland

Discussant: Mario Brandtner - Friedrich Schiller University of Jena, Germany

"On the (Mis)use of Conditional Value-at-Risk and Spectral Risk Measures for Portfolio Selection: A Comparison with Mean-Variance Analysis"
Mario Brandtner - Friedrich Schiller University of Jena, Germany

Discussant: Didier Maillard - CNAM, France

"Stock-Options and Portfolio Management"
Didier Maillard - CNAM, France

Discussant: Peter Scholz - Frankfurt School of Finance & Management, Germany

"Size Matters! How Position Sizing Determines Risk and Return of Technical Timing Strategies"
Peter Scholz - Frankfurt School of Finance & Management, Germany

Discussant: Louis Murray - University College Dublin, Ireland

SESSION 10 **Room 2**

CORPORATE GOVERNANCE II
Session Chair: Elyas Elyasiani - Temple University, United States

"Expropriation and Monitoring Effect of Independent Board on Firm Value During the Global Financial Crisis"
Seung Hun Han - Korea Advanced Institute of Science and Technology, Korea
Hohyun Kim - Korea Advanced Institute of Science and Technology, Korea

Discussant: Fabiola Montalto - University of Calabria, Italy

"Ownership Concentration and Corporate Performance: The Italian Case"
Maurizio La Rocca - University of Calabria, Italy
Fabiola Montalto - University of Calabria, Italy

Discussant: Maria Joao Jorge - Polytechnic Institute of Leiria, Portugal

"Corporate Governance and Hedging: The European Evidence"
Maria Joao Jorge - Polytechnic Institute of Leiria, Portugal
Mario Augusto - University of Coimbra, Portugal

Discussant: Dan Palmon - Rutgers Business School, United States

"Say-on-Pay: Is Anybody Listening?"
Dan Palmon - Rutgers Business School, United States
Ephraim Sudit - Rutgers Business School, United States
Stephanie Mason - Rutger's University, United States

Discussant: Hohyun Kim - KAIST, Korea

SESSION 11 **Room 3**

BANKS II
Session Chair: Frank Skinner - University of Surrey, United Kingdom

"What Are the Economies of Scale in Wholesale Banking?"
Ronald Anderson - London School of Economics, United Kingdom
Karin Joeveer - Queens University Belfast, United Kingdom

Discussant: Wing-Keung Wong - Hong Kong Baptist University, Hong Kong

"Banking Firm and Two-Moment Decision Making"
Udo Broll - Technische Universitat Dresden, Germany
Wing-Keung Wong - Hong Kong Baptist University, Hong Kong
Mojia Wu - Technische Universitat Dresden, Germany

Discussant: Christophe Godlewski - University of Haute Alsace & EM Strasbourg Business School, France

"Are Bank Loans Still "Special" (Especially During a Crisis)? Empirical Evidence from a European Country"
Christophe Godlewski - University of Haute Alsace & EM Strasbourg Business School, France

Discussant: Taufiq Choudhry - University of Southampton, United Kingdom

"Comparison of Efficiency Characteristics Between the Banking Sectors of US and UK During the Global Financial Crisis of 2007-11"
Taufiq Choudhry - University of Southampton, United Kingdom
Ranadeva Jayasekera - University of Southampton, United Kingdom

Discussant: Karin Joeveer - Queens University Belfast, United Kingdom

SESSION 12 **Room 4**

FINANCIAL DISTRESS
Session Chair: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

"Building Legal Indexes to Explain Recovery Rates: An Analysis of the French and UK Bankruptcy Codes"
Regis Blazy - University of Strasbourg, France
Bertrand Chopard - University of Paris, France
Nirjhar Nigam - ESSEC Business School, France

Discussant: Zvika Afik - Ben-Gurion University, Israel

"Using Merton Model: An Empirical Assessment of Alternatives"
Zvika Afik - Ben-Gurion University, Israel
Ohad Arad - Ben-Gurion University, Israel
Koresh Galil - Ben-Gurion University, Israel

Discussant: Ranadeva Jayasekera - University of Southampton, United Kingdom

"Analysis of the Role of General Electric in the US Airline Industry; A Possible Capital Market Mutation in Response to the Anomalies of Chapter 11?"
Ranadeva Jayasekera - University of Southampton, United Kingdom
Geoff Meeks - University of Cambridge, United Kingdom

Discussant: Stylianos Perrakis - Concordia University, Canada

"Optimal Capital Structure, Endogenous Bankruptcy and Corporate Debt Valuation under State-Dependent Volatility and Jump Process Asset Dynamics"
Stylianos Perrakis - Concordia University, Canada
Rui Zhong - Concordia University, Canada

Discussant: Regis Blazy - University of Strasbourg, France

SESSION 13 **Room 5**

FINANCIAL CRISIS II
Session Chair: Stefan Trueck - Macquarie University, Australia

"Foreign Debt Holders and Sovereign CDs Speculation"
Antonio Diaz - Universidad Castilla - La Mancha, Spain
Jonatan Groba - University Carlos III, Spain
Pedro Serrano - University Carlos III, Spain

Discussant: Burkhard Raunig - Oesterreichische Nationalbank, Austria

"The Credit Risk of Banks and Non-Banks During the Crisis: Evidence from the CDs Market"
Burkhard Raunig - Oesterreichische Nationalbank, Austria

Discussant: Mehmet Civan - The University of Gaziantep, Turkey

"The Effects of Credit Management to Profitability in Crisis Periods"
Mehmet Civan - The University of Gaziantep, Turkey
Burcu Buyuran - University of Gaziantep, Turkey

Discussant: Nojoud Habash - Birzeit University, Palestinian Territory

"The Contagion Effect of the Global Financial Crisis: The Case of the Middle East Stock Markets"
Nojoud Habash - Birzeit University, Palestinian Territory
Bashar Abu Zarour - Palestine Capital Market Authority (PCMA), Palestinian Territory

Discussant: Antonio Diaz - Universidad Castilla - La Mancha, Spain

Monday 10:30-12:15

SESSION 14 **Room 6**

VOLATILITY II
Session Chair: Ramazan Aktas - TOBB University of Economics and Technology, Turkey

"Comparison of Currency Co-Movement Before and During the Global Financial Crisis"
Anastasios Malliaris - Loyola University Chicago, United States
Mary Malliaris - Loyola University Chicago, United States

Discussant: Maria Schutte - Michigan Tech University, United States

"Stock Return Co-Movement in the New Millennium"
Maria Schutte - Michigan Tech University, United States

Discussant: Doug Blackburn - Fordham University, United States

"Is World Stock Market Co-Movement Changing?"
Doug Blackburn - Fordham University, United States
N. K. Chidambaran - Fordham University, United States

Discussant: George Milunovich - Macquarie University, Australia

"Phase Dating and Contagion in the Global Financial Crisis: A Smooth Transition Structural GARCH Approach"
Mardi Dungey - University of Tasmania, Australia
George Milunovich - Macquarie University, Australia
Susan Thorp - University of Technology, Australia
Minxian Yang - University of New South Wales, Australia

Discussant: Mary Malliaris - Loyola University Chicago, United States

SESSION 15 **Room 7**

DERIVATIVE MARKETS II
Session Chair: Meher Manzur - Curtin University, Australia

"Can the Incorporation of the Stochastic Interest Rate Explain the Equity Option's Volatility Smile?"
Yi Cheng - University of Augsburg, Germany
Andreas Rathgeber - University Hall/Tyrol, Austria
Stefan Stockl - University of Augsburg, Germany

Discussant: Gautam Goswami - Fordham University, United States

"Equity Options Market and the Flash Crash of 2010"
Nusret Cakici - Fordham University, United States
Gautam Goswami - Fordham University, United States
Sinan Tan - Fordham University, United States

Discussant: Dong Zhang - Stockholm University, Sweden

"Effects of the Introduction of Stock Index Futures on the Underlying Stocks: The Role of Futures Market Makers"
Lars Norden - Stockholm University, Sweden
Dong Zhang - Stockholm University, Sweden

Discussant: Stefan Stockl - University of Augsburg, Germany

SESSION 16 **Room 8**

CAPITAL STRUCTURE II
Session Chair: Raul Susmel - University of Houston, United States

"Low Leverage Policy: Evidence from Italian Firms"
F. Javier Sanchez-Vidal - Universidad Politecnica De Cartagena, Spain
Juan-Francisco Martin-Ugedo - University of Murcia, Spain
Marco Bigelli - University of Bologna, Italy

Discussant: Yilmaz Guney - University of Hull, United Kingdom

"Capital Structure and Market Timing in the UK: Deviation from Target Leverage and Security Issue Choice"
Yilmaz Guney - University of Hull, United Kingdom
Hafezali Iqbal-Hussain - University of Northumbria, United Kingdom

Discussant: Unyong Pyo - Brock University, Canada

"Reducing Agency Conflicts with Target Debt Ratios"
Unyong Pyo - Brock University, Canada
Yong Jae Shin - Soong-Eui Women's College, South Korea
Howard Thompson - University of Wisconsin-Madison, United States

Discussant: Ian Glew - Memorial University, Canada

"Tax Recovery from Income Trusts in Canada"
Ian Glew - Memorial University, Canada

Discussant: F. Javier Sanchez-Vidal - Universidad Politecnica De Cartagena, Spain

LUNCHEON

12:15-1:45 p.m. Magnolia & Azalia

Monday 1:45-3:30

SESSION 17 **Room 1**

PORTFOLIO MANAGEMENT III
Session Chair: Lorne Switzer - Concordia University, Canada

"Can Exchange Rate Models Outperform the Random Walk? Magnitude, Direction and Profitability as Criteria"
Imad Moosa - RMIT University, Australia
Kelly Burns - RMIT University, Australia

Discussant: Ines Chaieb - University of Geneva, Switzerland

"In Search of Optimal Number of Bond Funds"
Pat Polwitoon - Susquehanna University, United States
Oranee Tawatnuntachai - Penn State University at Harrisburg, United States

Discussant: Victoria Dobrynskaya - London School of Economics, United Kingdom

"Downside Risk of Carry Trades"
Victoria Dobrynskaya - London School of Economics, United Kingdom

Discussant: Imad Moosa - RMIT University, Australia

SESSION 18 **Room 2**

EXECUTIVE COMPENSATION
Session Chair: Zeynep Onder - Bilkent University, Turkey

"Employee Stock Options and Corporate Innovation"
Xin Chang - Nanyang Technological University, Singapore
Kangkang Fu - Nanyang Technological University, Singapore
Angie Low - Nanyang Technological University, Singapore
Wenrui Zhang - Nanyang Technological University, Singapore

Discussant: Yaron Amzaleg - Peres Academic Center, Israel

"CEO Control, Corporate Performance and Pay-Performance Sensitivity"
Yaron Amzaleg - Peres Academic Center, Israel
Ofer Azar - Ben-Gurion University of the Negev, Israel
Uri Ben-Zion - Western Galilee College, Israel
Ahron Rosenfeld - Ben-Gurion University of the Negev, Israel

Discussant: Chih-Liang Liu - Department of Finance, Taiwan

"Director Compensation and Risk-Taking: Excessive Compensation and Incentive Structure Perspectives"
Chih-Liang Liu - National Yunlin University of Science and Technology, Taiwan
Shiou-Ying Lee - Technology and Science Institute of Northern Taiwan, Taiwan

Discussant: Gueorgui Kolev - EDHEC Business School, France

"Illusory Correlation in the Remuneration of Chief Executive Officers: It Pays to Play Golf, and Well"
Gueorgui Kolev - EDHEC Business School, France
Robin Hogarth - ICREA and Universitat Pompeu Fabra, Spain

Discussant: Xin Chang - Nanyang Technological University, Singapore

SESSION 19 **Room 3**

BANKS III
Session Chair: Giorgio Di Giorgio - LUISS Guido Carli University, Italy

"Contingent Capital Securities: Problems and Solutions"
Michalis Ioannides - BNP Paribas, United Kingdom
Frank Skinner - University of Surrey, United Kingdom

Discussant: Ali Termos - American University of Beirut, Lebanon

"Loan Securitization as a Liquidity Creation Mechanism: New Evidence"
Mohsen Saad - American University of Sharjah (UAE), United Arab Emirates
Ali Termos - American University of Beirut, Lebanon

Discussant: Joerg Prokop - University of Oldenburg, Germany

"Announcement Effects of Credit Securitization: The Case of Liquidity Facility Providers"
Hilke Hollander - University of Oldenburg, Germany
Joerg Prokop - University of Oldenburg, Germany

Discussant: Piotr Danisewicz - Bangor University, United Kingdom

"Enforcement Actions, Banks' Liquidity Creation and Regional Economic Growth"
Piotr Danisewicz - Bangor University, United Kingdom

Discussant: Frank Skinner - University of Surrey, United Kingdom

SESSION 20 **Room 4**

ACCOUNTING ISSUES I
Session Chair: Amir Rubin - Simon Fraser University, Canada

"Investor's Reaction to Changes in Management Earnings Forecasts: The Impact of Investor Sentiment and Gender"
Maria Strydom - Monash University, Australia
John Watson - Monash University, Australia
Barry Cooper - Monash University, Australia

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

"An Examination of IAS 36 Asset Impairments in Europe"
Alessandro Ala - Durham University, United Kingdom
Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Ilanit Gavious - Ben-Gurion University, Israel

"The Relationship Between the Management of Book Income and Taxable Income: An Empirical Analysis of Private Versus Public Firms"
Ilanit Gavious - Ben-Gurion University, Israel
Ester Stanovsky - Ben-Gurion University, Israel
Rami Yosef - Ben-Gurion University, Israel

Discussant: Mohamed Khalil - The University of Hull, United Kingdom

"Board Composition, Audit Quality and Earnings Management in Emerging Markets: The Case of Egypt"
Mohamed Khalil - The University of Hull, United Kingdom
Aydin Ozkan - The University of Hull, United Kingdom

Discussant: Barry Cooper - Monash University, Australia

SESSION 21 **Room 5**

FINANCIAL CRISIS III
Session Chair: Tom Nohel - Loyola University, United States

"Government Interventions: Restoring or Destructing Financial Stability in the Long-Run?"
Aneta Hryckiewicz - Kozminski University, Poland

Discussant: Adam Banai - Magyar Nemzeti Bank, Hungary

"Home High above and Home Deep Down Below: Lending in Hungary"
Adam Banai - Magyar Nemzeti Bank, Hungary
Julia Kiraly - Magyar Nemzeti Bank, Hungary
Marton Nagy - Magyar Nemzeti Bank, Hungary

Discussant: Mona Soufian - Northumbria University, United Kingdom

"Adapting Financial Rationality: Is a New Paradigm Emerging?"
Mona Soufian - Northumbria University, United Kingdom
William Forbes - Loughborough University, United Kingdom
Robert Hudson - Newcastle University, United Kingdom

Discussant: Aneta Hryckiewicz - Kozminski University, Poland

SESSION 22 **Room 6**

CREDIT RISK I
Session Chair: Anastasios Malliaris - Loyola University Chicago, United States

"Sovereign Credit Default Swaps and the Arab Uprising"
Nizar Atrissi - Universite Saint-Joseph, Lebanon
Maya Akoum - Universite Saint-Joseph, Lebanon

Discussant: Oksana Pryshchepa - Lancaster University, United Kingdom

"Not All Distressed Firms Can Risk-Shift: The Impact of Financial Constraints on Investment Policy"
Oksana Pryshchepa - Lancaster University, United Kingdom
Kevin Aretz - The University of Manchester, United Kingdom
Shantanu Banerjee - Lancaster University, United Kingdom

Discussant: Guido Mantovani - CA Foscari Unversity, Italy

"Asset-Backed vs. Competence-Driven Leverage: The Next Entrepreneurial Finance Challenge"
Guido Mantovani - Ca Foscari Unversity, Italy

Discussant: Hermann Elendner - Vienna Graduate School of Finance, Austria

"Rating-Induced Default Risk and Downgrade Hesitation"
Hermann Elendner - Vienna Graduate School of Finance, Austria

Discussant: Nizar Atrissi - Universite Saint-Joseph, Lebanon

SESSION 23 **Room 7**

FINANCIAL ENGINEERING
Session Chair: Dariusz Zarzecki - University of Szczecin, Poland

"Valuation of Volatility Risk Management Products"
Lung-Fu Chang - National Taipei College of Business, Taiwan
Jia-Hau Guo - National Chiao Tung University, Taiwan
Mao-Wei Hung - National Taiwan University, Taiwan

Discussant: Claire Matthews - Massey University, New Zealand

"Kiwisaver: Consumer Choices"
Claire Matthews - Massey University, New Zealand

Discussant: Gordon Alexander - University of Minnesota, United States

"How Informed Are Predictive and Reactive Short Sellers about Earnings Announcements?"
Gordon Alexander - University of Minnesota, United States
Mark Peterson - Southern Illinois University, United States
Xiaoxin Wang Beardsley - Southern Illinois University, United States

Discussant: Vasiliki Balla - Technical University of Crete, Greece

"Multicriteria Decision Aid Models for the Prediction of Securities Class Actions"
Vasiliki Balla - Technical University of Crete, Greece
Fotios Pasiouras - Technical University of Crete, Greece
Chrysovalantis Gaganis - University of Crete, Greece
Constantin Zopounidis - Technical University of Crete, Greece

Discussant: Lung-Fu Chang - National Taipei College of Business, Taiwan

Monday 1:45-3:30

SESSION 24 **Room 8**

CROSS LISTING
Session Chair: William Bertin - Bond University, Australia

"The Listing and De-Listing of German Firms on NYSE and NASDAQ: Were There Any Benefits?"
Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Fred Kaen - University of New Hampshire, United States
Philipp Kurmann - Justus-Liebig University Giessen, Germany
Jan Zimmermann - Justus-Liebig-University Giessen, Germany

Discussant: Raul Susmel - University of Houston, United States

"Pairs-Trading in the Asian ADR Market"
Gwangheon Hong - Saginaw Valley State University, United States
Raul Susmel - University of Houston, United States

Discussant: Olga Dodd - Auckland University of Technology, New Zealand

"On the Role of Cultural Distance in the Decision to Cross-List"
Olga Dodd - Auckland University of Technology, New Zealand
Bart Frijns - Auckland University of Technology, New Zealand
Aaron Gilbert - Auckland University of Technology, New Zealand

Discussant: Wim Westerman - University of Groningen, Netherlands

"The Impact Of Sovereign Wealth Fund Transactions On Firm Value"
Laurens Marie - University of Groningen, Netherlands
Nanne Brunia - University of Groningen, Netherlands
Wim Westerman - University of Groningen, Netherlands

Discussant: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

Refreshments 3:30-3:45 p.m.

Monday 3:45-5:30

SESSION 25 **Room 1**

PORTFOLIO MANAGEMENT IV
Session Chair: Jang Schiltz - University of Luxembourg, Luxembourg

"Credit Ratings and Stock Market Performance"
Ercan Balaban - University of Aberdeen, United Kingdom
Rafi Karagol - University of Aberdeen, United Kingdom

Discussant: Tom Nohel - Loyola University, United States

"Leverage Decisions in Portfolio Management"
Tom Nohel - Loyola University, United States
Steven Todd - Loyola University, United States
Zhi Wang - University of Illinois, United States

Discussant: Lorne Switzer - Concordia University, Canada

"The Value of Private Information in Investment Research: Do Company On-Site Visits Affect the Trading Patterns and Performance of Professional Investors?"
Lorne Switzer - Concordia University, Canada
Mariane Keushgerian - Concordia University, Canada

Discussant: Rafi Karagol - University of Aberdeen, United Kingdom

SESSION 26 **Room 2**

SMES
Session Chair: Giacomo Nocera - Bocconi University, Italy

"SMEs and the Challenge to Go Public: Evidence from a Recent Survey"
Marianna Caccavaio - LUISS Guido Carli University, Italy
Jacopo Carmassi - LUISS Guido Carli University, Italy
Giorgio Di Giorgio - LUISS Guido Carli University, Italy
Marco Spallone - LUISS Guido Carli University, Italy

Discussant: Michael Graham - Stockholm University, Sweden

"The Impact of Working Capital Management on Firm Profitability in Different Business Cycles: Evidence from Finland"
Julius Enqvist - SEB Merchant Banking, Finland
Michael Graham - Stockholm University, Sweden
Jussi Nikkinen - University of Vaasa, Finland

Discussant: Pedro Garcia-Teruel - University of Murcia, Spain

"Working Capital Requirement Financing and SMEs Performance"
Sonia Banos-Caballero - University of Murcia, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martinez-Solano - University of Murcia, Spain

Discussant: Cristina Martinez-Sola - University of Jaen, Spain

"Trade Credit and SMEs Profitability"
Cristina Martinez-Sola - University of Jaen, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martinez-Solano - University of Murcia, Spain

Discussant: Giorgio Di Giorgio - Luiss Guido Carli University, Italy

SESSION 27 **Room 3**

BANKS IV
Session Chair: Wing-Keung Wong - Hong Kong Baptist University, Hong Kong

"Macro Stress Testing Banks' Credit Quality"
Konstantinos Moutsianas - Aristotle University of Thessaloniki, Greece
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

Discussant: Huong Higgins - Worcester Polytechnic Institute, United States

"Bank Capital and Firm Governance: Evidence from Japanese Mergers"
Huong Higgins - Worcester Polytechnic Institute, United States

Discussant: Shrimal Perera - Monash University, Australia

"Impact of Competition on Credit Risk, Overall Bank Risk and Revenue Diversification: Evidence from Selected Asian Countries"
Shrimal Perera - Monash University, Australia
Sisira Colombage - Monash University, Australia
Nafisa Ovi - Monash University, Australia

Discussant: Gonzalo Cortazar - Pontificia Universidad Catolica De Chile, Chile

"Rational Expectations of Monetary Policy Changes and the Term Structure of Interest Rates: Estimating Market Expectations from Current Bond Prices in Chile"
Gonzalo Cortazar - Pontificia Universidad Catolica De Chile, Chile
Gonzalo Valdes - Pontificia Universidad Catolica De Chile, Chile

Discussant: Konstantinos Moutsianas - Aristotle University of Thessaloniki, Greece

SESSION 28 **Room 4**

ANALYSTS
Session Chair: Nikolaos Philippas - University of Piraeus, Greece

"Are Analysts Really Too Optimistic?"
Jean-Sebastien Michel - HEC Montreal, Canada
Ari Pandes - University of Calgary, Canada

Discussant: Enrico Cervellati - University of Bologna, Italy

"Analyst Reluctance in Conveying Negative Information to the Market"
Luca Piras - University of Cagliari, Italy
Olga Denti - University of Cagliari, Italy
Enrico Cervellati - University of Bologna, Italy

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

"Does Geographic Proximity Lead to Superior Performance of Local Analysts? Evidence from an Emerging Market"
Sheraz Ahmed - Lappeenranta University of Technology, Finland
Omar Farooq - Aalborg University, Denmark

Discussant: Nirosha Hewa Wellalage - University of Waikato, New Zealand

"Corporate Governance And Capital Structure Decision Of Sri Lankan Listed Firms"
Stuart Locke - University of Waikato, New Zealand
Nirosha Hewa Wellalage - University of Waikato, New Zealand

Discussant: Ari Pandes - University of Calgary, Canada

SESSION 29 **Room 5**

EMERGING MARKETS I
Session Chair: Anxo Calvo - Universidade Da Coruna, Spain

"Time Varying Conditional Discrete Jumps in Emerging African Equity Markets"
Saint Kuttu - HANKEN School of Economics, Finland

Discussant: Heung-Joo Cha - Univeristy of Redlands, United States

"Diversification Effect of Investments in Emerging Stock Markets"
Heung-Joo Cha - Univeristy of Redlands, United States

Discussant: Omar Moreira Filho - Fundacao Getulio Vargas, Brazil

"Determinants for Political Risk Insurance of Direct Investments in Emerging Markets"
Omar Moreira Filho - Fundacao Getulio Vargas, Brazil
Richard Saito - Fundacao Getulio Vargas, Brazil

Discussant: Christos Savva - Cyprus University of Technology, Cyprus

"Diversification Opportunities in Emerging Markets"
Christos Savva - Cyprus University of Technology, Cyprus
Demetris Markou - Cyprus University of Technology, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus

Discussant: Saint Kuttu - HANKEN School of Economics, Finland

SESSION 30 **Room 6**

CREDIT RISK II
Session Chair: Ronen Barak - Bar Ilan University, Israel

"Estimating Mortgage Defaults with Defeasance"
Muzaffer Akat - Ozyegin University, Turkey
Brent W. Ambrose - Pennsylvania State University, United States
Orhan Erdem - Istanbul Bilgi University, Turkey
Yildiray Yildirim - Syracuse University, United States

Discussant: Jiri Svec - University of Sydney, Australia

"Modeling Euro Zone's Credit Default Swaps"
Yue Wang - University of Sydney, Australia
Jiri Svec - University of Sydney, Australia
Maurice Peat - University of Sydney, Australia

Discussant: Offer Shapir - Ben Gurion University, Israel

"CDs Spreads: Cross-Section and Time-Series Analysis"
Koresh Galil - Ben-Gurion University, Israel
Offer Shapir - Ben Gurion University, Israel
Uri Ben-Zion - Western Galilee College, Israel

Discussant: Marti Subrahmanyam - New York University, United States

"Does the Tail Wag the Dog? The Effect of Credit Default Swaps on Credit Risk"
Marti Subrahmanyam - New York University, United States
Dragon Yongjun Tang - University of Hong Kong, Hong Kong
Sarah Qian Wang - University of Hong Kong, Hong Kong

Discussant: Orhan Erdem - Istanbul Bilgi University, Turkey

SESSION 31 **Room 7**

ASSET PRICING I
Session Chair: Gordon Alexander - University of Minnesota, United States

"Long-Run Evidence Using Multifactor Asset Pricing Models"
Paola Brighi - University of Bologna, Italy
Stefano D'addona - University of Rome, Italy
Antonio Della Bina - University of Bologna, Italy

Discussant: Nader Virk - HANKEN School of Economics, Finland

"Specification Errors of Asset Pricing Models for a Market Characterized with Large Capitalization Firms"
Hilal Butt - HANKEN School of Economics, Finland
Nader Virk - HANKEN School of Economics, Finland

Discussant: Claudio Boido - University of Siena, Italy

"CAPM with Sentiment: The Effcient Market Hypothesis Spiced up with Sentiment"
Claudio Boido - University of Siena, Italy
Antonio Fasano - University of Salerno, Italy

Discussant: Dariusz Zarzecki - University of Szczecin, Poland

"Private Benefits of Control in Business Valuation"
Dariusz Zarzecki - University of Szczecin, Poland
Katarzyna Byrka-Kita - University of Szczecin, Poland

Discussant: Antonio Della Bina - University of Bologna, Italy

Monday 3:45-5:30

SESSION 32 **Room 8**

VENTURE CAPITAL
Session Chair: Laurie Prather - Bond Univeristy, Australia

"Going Public - Going Private - The Case of VC-Backed Firms"
Andrej Gill - Goethe University Frankfurt, Germany
Uwe Walz - Goethe University Frankfurt and Center for Financial Studies, Germany

Discussant: M. Camino Ramon-Llorens - Universidad Politecnica De Cartagena, Spain

"The Influence of the Institutional Theory on the Terms and Conditions Included In the Spanish Venture Capital Contract"
M. Camino Ramon-Llorens - Universidad Politecnica De Cartagena, Spain
Gines Hernandez-Canovas - Universidad Politecnica De Cartagena, Spain

Discussant: Qingwei Meng - University of Birmingham, United Kingdom

"The Measure of Corporate Investment to Capital Ratio Matters: Evidence from UK Panel Data"
Qingwei Meng - University of Birmingham, United Kingdom

Discussant: Gaoxiang Wang - University of Waikato, New Zealand

"Does Corporate Governance Impact On The Sustainable Return Of Ipos In China? A Study Of Shenzhen Stock Exchange 1999-2009"
Gaoxiang Wang - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand

Discussant: Uwe Walz - Goethe University Frankfurt and Center for Financial Studies, Germany

6:00 - 7:00 p.m. Bus transfer from Novotel to Slowacki Theatre (every 15 minutes)

7:15 - 7:30 p.m. Welcome Speeches by Professors L. Preisner, P. Theodossiou and Mr. M. Sowa

KEYNOTE SPEECH

7:30-8:15 p.m. Slowacki Theatre

Professor David L. Yermack
New York University, USA

RECENT DEVELOPMENTS IN SHAREHOLDER VOTING AND CORPORATE GOVERNANCE

Organized by

Mr. Marek Sowa
Marshal, Malopolska Region

8:20-9:20 p.m. The Song and Dance Ensemble “Krakus” of AGH in Slowacki Theatre

9:30 - 11:30 p.m. Mini bus transfer from Theatre to Novotel (9:30, 10:10, 10:50, 11:30 p.m.)

Tuesday 8:30-10:15

SESSION 33 **Room 1**

MARKET EFFICIENCY I
Session Chair: George Athanassakos - The University of Western Ontario, Canada

"A Traditional and a Bootstrapped Analysis on the Profitability of Technical Trading Rules: Evidence from Australia and Malaysia"
Barry O'Grady - Curtin University, Australia
David Allen - Edith Cowan University, Australia
Darren O'Connell - Curtin University of Technology, Australia

Discussant: Hisham Farag - University of Birmingham, United Kingdom

"Do Regulatory Policies Affect Volatility and Stock Market Anomalies? Evidence from Egypt"
Hisham Farag - University of Birmingham, United Kingdom

Discussant: Guzhan Gulay - Istanbul Stock Exchange, Turkey

"Price Ticks and the Effects of Price Tick Changes in ISE"
Guzhan Gulay - Istanbul Stock Exchange, Turkey
Erisah Arican - Marmara University, Turkey

Discussant: Katrin Gottschalk - Auckland University of Technology, New Zealand

"Performance of Companies with Substantial State Ownership Around National Elections"
Katrin Gottschalk - Auckland University of Technology, New Zealand
Jedrzej Bialkowski - University of Canterbury, New Zealand
Jacob Sheehan - University of Canterbury, New Zealand

Discussant: Barry O'Grady - Curtin University, Australia

SESSION 34 **Room 2**

CORPORATE FINANCE
Session Chair: Michael Mckenzie - The University of Sydney, Australia

"Why Do Investors Trade Around Social Rating Announcements?"
Alexis Cellier - Université Paris-EST, France
Pierre Chollet - Université Paris-Est, France
Jean-Francois Gajewski - Universite De Savoie, France

Discussant: Basil Al-Najjar - Middlesex University, United Kingdom

"The Impact of Board Size and Independence on SMEs Financial Decisions: Evidence from UK"
Basil Al-Najjar - Middlesex University, United Kingdom

Discussant: Philip Gharghori - Monash University, Australia

"Trading on Stock Split Announcements and the Ability to Earn Long-Run Abnormal Returns: Caveat Emptor"
Philip Gharghori - Monash University, Australia
Edwin Maberly - Deakin University, Australia
Annette Nguyen - Deakin University, Australia

Discussant: Krishna Reddy - University of Waikato, New Zealand

"Does Ownership Concentration and Identity Matter: An Empirical Investigation of Publicly Listed Companies in New Zealand"
Krishna Reddy - University of Waikato, New Zealand
Sazali Abidin - University of Waikato, New Zealand
Wei He - University of Waikato, New Zealand

Discussant: Jean-Francois Gajewski - Universite De Savoie, France

SESSION 35 **Room 3**

FUNDS I
Session Chair: Stefan Prigge - Hamburg School of Business Administration, Germany

"Do Mutual Fund Managers Exploit the Ramadan Anomaly? Evidence from Turkey"
Jedrzej Bialkowski - University of Canterbury, New Zealand
Martin Bohl - University of Muenster, Germany
Philipp Kaufmann - University of Munster, Germany
Tomasz Wisniewski - University of Leicester, United Kingdom

Discussant: Nikolaos Tessaromatis - The American College of Greece, Greece

"Revisiting Mutual Fund Performance Evaluation"
Timotheos Angelidis - University of Peloponnese, Greece
Daniel Giamouridis - Athens University of Economics and Busniness, Greece
Nikolaos Tessaromatis - The American College of Greece, Greece

Discussant: Lawrence Kryzanowski - Concordia University, Canada

"Equity Fund Flows and Performance Around Economic Recessions"
Ines Gargouri - UQAM, Canada
Lawrence Kryzanowski - Concordia University, Canada

Discussant: David Rakowski - Southern Illinois University, United States

"The Market Response to Mutual Fund Holdings Disclosures"
Conrad Ciccotello - Georgia State University, United States
Jason Greene - Southern Illinois University, United States
David Rakowski - Southern Illinois University, United States

Discussant: Philipp Kaufmann - University of Munster, Germany

SESSION 36 **Room 4**

ACCOUNTING ISSUES II
Session Chair: Christos Negakis - University of Macedonia, Greece

"The Impact of Internet-Based Disclosure on Capital Market Risk"
Li Li - Groupe Sup De Co Montpellier Business School, France

Discussant: Amir Rubin - Simon Fraser University, Canada

"Corporate Governance and the Timing of Earnings Announcements"
Roni Michaely - Cornell University, United States
Amir Rubin - Simon Fraser University, Canada
Alexander Vedrashko - Simon Fraser University, Canada

Discussant: Mohamed Keffala - ISFA, France

"Effect of the Use of Derivative Instruments on Accounting Risk: Evidence from Banks in Emerging and Recently Developed Countries"
Mohamed Keffala - ISFA, France
Christian De Peretti - University of Lyon, France

Discussant: Ewa Walinska - University of Lodz, Poland

"The Modern Business Reporting Dimension Including the Supervisory Board's Reports"
Ewa Walinska - University of Lodz, Poland
Jacek Gad - University of Lodz, Poland

Discussant: Li Li - Groupe Sup De Co Montpellier Business School, France

SESSION 37 **Room 5**

EMERGING MARKETS II
Session Chair: Jose Rossi - Insper Institute of Education and Research, Brazil

"Price Discovery and Foreign Ownership in Emerging Markets"
Jun Cai - City University of Hong Kong, Hong Kong
Richard Ho - City University of Hong Kong, Hong Kong
Robert Korajczyk - Northwestern University, United States
Zheng Zhang - Peking University, China

Discussant: Bin Liu - RMIT University, Australia

"Idiosyncratic Volatility, Stock Returns and Economy Conditions: The Role of Idiosyncratic Volatility in the Australian Stock Market"
Bin Liu - RMIT University, Australia
Amalia Di Iorio - RMIT University, Australia

Discussant: Elisabeta Pana - Illinois Wesleyan University, United States

"The Impact of Internet-Based Services on Credit Unions: A Propensity Score Matching Approach"
Elisabeta Pana - Illinois Wesleyan University, United States
Sascha Vitzthum - Illinois Wesleyan University, United States
David Willis - Illinois Wesleyan University, United States

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

"Inflation Risk, Exchange Rate Risk and Asset Returns: Evidence from Korea, Malaysia and Taiwan"
Kashif Saleem - Lappeenranta University of Technology, Finland

Discussant: Robert Korajczyk - Northwestern University, United States

SESSION 38 **Room 6**

CASH HOLDINGS
Session Chair: Piet Sercu - KU Leuven, Belgium

"What Causes Differences in Cash Holdings Between Listed and Unlisted Firms Around the World?"
Henk Von Eije - University of Groningen, Netherlands

Discussant: Shantanu Banerjee - Lancaster University, United Kingdom

"External Monitoring, Managerial Entrenchment, and Corporate Cash Holdings"
Shantanu Banerjee - Lancaster University, United Kingdom
Panagiotis Couzoff - Lancaster University, United Kingdom
Grzegorz Pawlina - Lancaster University, United Kingdom

Discussant: Frederiek Schoubben - Lessius University College, Belgium

"Does Competitive Discipline Influence the Value of Cash Holdings? Evidence from Western European Companies"
Frederiek Schoubben - Lessius University College, Belgium
Cynthia Van Hulle - University of Leuven, Belgium

Discussant: Daniel Havran - Corvinus University of Budapest, Hungary

"What Is the Precautionary Cash Value Globally?"
Daniel Havran - Corvinus University of Budapest, Hungary
Zsuzsa Huszar - National University of Singapore, Singapore

Discussant: Henk Von Eije - University of Groningen, Netherlands

SESSION 39 **Room 7**

ASSET PRICING II
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Salvaging the C-CAPM: Currency Carry Trade Risk Premia and Conditioning Information"
Abhay Abhyankar - The University of Edinburgh Business School, United Kingdom
Angelica Gonzalez - The University of Edinburgh Business School, United Kingdom
Olga Klinkowska - University of Aberdeen Business School, United Kingdom

Discussant: James Kolari - Texas A&M University, United States

"A New Asset Pricing Model Based on the Zero-Beta CAPM: The ZCAPM"
Wei Liu - Texas A&M University, United States
James Kolari - Texas A&M University, United States
Jianhua Huang - Texas A&M University, United States

Discussant: Lammertjan Dam - University of Groningen, Netherlands

"Asset Pricing with Fixed Asset Supply"
Lammertjan Dam - University of Groningen, Netherlands
Pim Heijnen - University of Groningen, Netherlands

Discussant: Christos Negakis - University of Macedonia, Greece

"Methodological Issues on the Estimation of Price and Return Models"
Christos Negakis - University of Macedonia, Greece
Dimitrios Kousenidis - Aristotle's University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece

Discussant: Olga Klinkowska - University of Aberdeen Business School, United Kingdom

SESSION 40 **Room 8**

MERGERS AND ACQUISITIONS I
Session Chair: Canh Nguyen - Vietnam National University, Vietnam

"How to Implement a Deal? The Impact of CEO Characteristics on Synergy Realization of European Takeovers"
Katrien Craninckx - Lessius Antwerpen, Belgium
Nancy Huyghebaert - KU Leuven, Belgium

Discussant: Anna Faelten - City University, United Kingdom

"M&A in the UK: A Study of Post-Transaction Shareholder Wealth Creation, Company Financial Performance and Employment"
Andrew Clare - City University, London, United Kingdom
Anna Faelten - City University, United Kingdom

Discussant: Martin Bugeja - University of Technology, Sydney, Australia

"The Psychology of Pricing in Mergers and Acquisitions: An Australian Perspective"
Martin Bugeja - University of Technology, Sydney, Australia
Raymond Da Silva Rosa - University of Western Australia, Australia
Ilya Redko - University of Western Australia, Australia

Discussant: Alain Chevalier - ESCP Europe, France

"The Acquisition of non Public Firms in Europe: Bidders' Returns, Payment Methods and Stock Market Evolution"
Alain Chevalier - ESCP Europe, France
Etienne Redor - Audencia Nantes, France

Discussant: Katrien Craninckx - Lessius Antwerpen, Belgium

Tuesday 10:30-12:15

SESSION 41 **Room 1**

MARKET EFFICIENCY II
Session Chair: Robert Korajczyk - Northwestern University, United States

"Football and Stock Market Risk: Empirical Evidence the Istanbul Stock Exchange"
Mahmut Hakan Berument - Bilkent University, Turkey
Nildag Ceylan - Yildirim Beyazit University, Turkey

Discussant: Mehmet Karan - Hacettepe University, Turkey

"How Is the Firm Performance Related with R&D and Innovations?"
Hakan Ozdemir - TTGV, Turkey
Mehmet Karan - Hacettepe University, Turkey
Ozgur Arslan-Ayaydin - University of Illinois, United States
Aydin Ulucan - Hacettepe University, Turkey

Discussant: Vikash Ramiah - RMIT University, Australia

"How Does the Stock Market React to the Announcement of Green Policies?"
Vikash Ramiah - RMIT University, Australia
Belinda Martin - RMIT University, Australia
Imad Moosa - RMIT University, Australia

Discussant: George Athanassakos - The University of Western Ontario, Canada

"Using Historical Financial Statements to Separate Winning from Losing Value Stocks in Canada: Inter-Listed vs. Non Inter-Listed Stocks"
George Athanassakos - The University of Western Ontario, Canada

Discussant: Nildag Ceylan - Yildirim Beyazit University, Turkey

SESSION 42 **Room 2**

PAYOUT POLICY I
Session Chair: David Rakowski - Southern Illinois University, United States

"Are There Any Changes in Dividend Policy Associated with Mergers and Acquisitions?"
Azilawati Banchit - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand
Daniel Choi - University of Waikato, New Zealand

Discussant: Michael Mckenzie - The University of Sydney, Australia

"Selectivity and Sample Bias in Dividend Drop-Off Studies"
Michael Mckenzie - The University of Sydney, Australia
Graham Partington - The University of Sydney, Australia

Discussant: Puneet Prakash - Virginia Commonwealth University, United States

"Why Did Non-Dividend Paying Firms Benefit More from the 2003 Dividend Tax Cut? Evidence from SEOs"
Puneet Prakash - Virginia Commonwealth University, United States
Nanda Rangan - Virginia Commonwealth University, United States
Dan Salandro - Virginia Commonwealth University, United States

Discussant: Laurence Booth - University of Toronto, Canada

"The Impact of Globalization on Financial Policy: The Case of Disappearing Dividends"
Laurence Booth - University of Toronto, Canada

Discussant: Azilawati Banchit - University of Waikato, New Zealand

SESSION 43 **Room 3**

FUNDS II
Session Chair: Lawrence Kryzanowski - Concordia University, Canada

"A Performance Evaluation of Behavioral Mutual Funds"
Nikolaos Philippas - University of Piraeus, Greece
Fotini Economou - University of Piraeus, Greece

Discussant: Mahmod Qadan - Western Galilee College, Israel

"ETFs' Performance During Economic Crisis"
Mahmod Qadan - Western Galilee College, Israel
Joseph Yagil - Western Galilee College, Israel

Discussant: Nikolaos Milonas - University of Athens, Greece

"The Performance of German Fixed-Income ETFs in the Presence of the Debt Crisis"
Nikolaos Milonas - University of Athens, Greece
Gerasimos Rompotis - University of Athens, Greece

Discussant: Francis In - Monash University, Australia

"Diversification and Robust Measures of Tail Risk in Mutual Funds"
Francis In - Monash University, Australia
Woohwan Kim - Monash University, Australia

Discussant: Nikolaos Philippas - University of Piraeus, Greece

SESSION 44 **Room 4**

BEHAVIORAL FINANCE I
Session Chair: Martin Bugeja - University of Technology, Sydney, Australia

"A Proclivity to Cheat: How Culture Influences Illegal Insider Trading"
Bart Frijns - Auckland University of Technology, New Zealand
Aaron Gilbert - Auckland University of Technology, New Zealand
Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Discussant: Li Xie - Durham University, United Kingdom

"Accumulation of Large Foreign Reserves in China: A Behavioral Model of Optimal Decision Under Uncertainty"
Zhichao Zhang - Durham Business School, United Kingdom
Frankie Chau - Durham University, United Kingdom
Li Xie - Durham University, United Kingdom

Discussant: Ming-Chun Wang - National Kaohsiung First University of Science and Technology, Taiwan

"Investors' Type, Options' Characters and Mental Accounting: Evidence from the Taiwan Futures Exchange"
Yu-Jane Liu - Peking University, China
Ming-Chun Wang - National Kaohsiung First University of Science and Technology, Taiwan
Chia-Ying Chan - Yuan Ze University, Taiwan

Discussant: Robert Olsen - Decision Research, United States

"Trust: The Under Appreciated Investment Risk Attribute"
Robert Olsen - Decision Research, United States

Discussant: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

SESSION 45 **Room 5**

EMERGING MARKETS III
Session Chair: Johan Knif - Hanken School of Economics, Finland

"Financial Market Openness and Monetary Control"
Bill Francis - Rensselaer Polytechnic Institute, United States
Delroy Hunter - University of South Florida, United States
Patrick J. Kelly - New Economic School, Russia

Discussant: Canh Nguyen - Vietnam National University, Vietnam

"Measuring the Effectiveness of Corporate Income Tax Investment Incentives for Domestic Companies in Vietnam"
Canh Nguyen - Vietnam National University, Vietnam
Hoang Tho Phu - Vietnam National University, Vietnam
Cung Tran Viet - Vietnam National University, Vietnam
Nick J Freeman - Asia Foundation in Vietnam, Vietnam
David Ray - Advisor to The Asia Foundation in Vietnam, Vietnam

Discussant: Susan Hume - The College of New Jersey, United States

"Regulatory Framework and the Latin American Micro-Finance Environment"
Susan Hume - College of New Jersey, United States
Kafele Boothe - College of New Jersey, United States

Discussant: Elena Fedorova - Lappeenranta University of Technology, Finland

"What Kinds of Macroeconomic Announcements Affect Stock Markets in Emerging Eastern Europe?"
Elena Fedorova - Lappeenranta University of Technology, Finland

Discussant: Patrick J. Kelly - New Economic School, Russia

SESSION 46 **Room 6**

SEOS/IPOS I
Session Chair: Marti Subrahmanyam - New York University, United States

"The Puzzling Increase in UK SEO Fees"
Mario Levis - City University London, United Kingdom
Michele Meoli - University of Bergamo, Italy
Katrin Migliorati - University of Bergamo, Italy

Discussant: Fabrice Rousseau - National University of Ireland Maynooth, Ireland

"Optimal Initial Public Offering Design with Aftermarket Trading"
Sarah Parlane - University College Dublin, Ireland
Fabrice Rousseau - National University of Ireland Maynooth, Ireland

Discussant: Miguel Sousa - University of Porto, Portugal

"Is There Still a Berlin Wall in Post-Issue Operating Performance of European IPOs?"
Tiago Pereira - University of Porto, Portugal
Miguel Sousa - University of Porto, Portugal

Discussant: Ismail Gucbilmez - University of Edinburgh, United Kingdom

"Leaders and Followers in a Hot IPO Market"
Shantanu Banerjee - Lancaster University, United Kingdom
Ismail Gucbilmez - University of Edinburgh, United Kingdom
Grzegorz Pawlina - Lancaster University, United Kingdom

Discussant: Katrin Migliorati - University of Bergamo, Italy

SESSION 47 **Room 7**

INTERNATIONAL ECONOMICS
Session Chair: Martin Bohl - University of Muenster, Germany

"Equities' Exposures to Currencies: Beyond the Log-Linear Model"
Kris Boudt - KU Leuven / Lessius, Belgium
Fang Liu - CUFE, China
Piet Sercu - KU Leuven, Belgium

Discussant: Wendy Rotenberg - University of Toronto, Canada

"Foreign Exchange Derivatives, Foreign Currency Debt and Cross Listing: Evidence from Canada"
Robert Kieschnick - University of Texas, United States
Wendy Rotenberg - University of Toronto, Canada

Discussant: Lucyna Kornecki - Embry-Riddle Aeronautical University, United States

"Locational Factors Affecting Inward FDI Employment in the US Economy"
Lucyna Kornecki - Embry-Riddle Aeronautical University, United States
E. M. Ekanayake - Bethune-Cookman University, United States

Discussant: Piet Sercu - KU Leuven, Belgium

SESSION 48 **Room 8**

MERGERS AND ACQUISITIONS II
Session Chair: Iraj Fooladi - Dalhousie University, Canada

"Motives for Takeovers: The Impact of Market Valuation and Takeover Waves"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Christodoulos Louca - Cyprus University of Technology, Cyprus
Eleni Sophocleous - Durham University, United Kingdom

Discussant: Abimbola Adedeji - University of Birmingham, United Kingdom

Tuesday 10:30-12:15

"Are Cross-Border Acquisitions More Profitable than Domestic Acquisitions? Evidence from the UK"
Abimbola Adedeji - University of Birmingham, United Kingdom
Maha Ayoush - University of Birmingham, United Kingdom

Discussant: Angelo Aspris - University of Sydney, Australia

"Does Insider Trading Explain Price Run-Up Ahead of Takeover Announcements?"
Angelo Aspris - University of Sydney, Australia
Sean Foley - University of Sydney, Australia
Alex Frino - University of Sydney, Australia

Discussant: Jean-Daniel Guigou - Luxembourg School of Finance, Luxembourg

"Collusion Under Asymmetric Incentive Compensation"
Patrick De Lamirande - Cape Breton University, Canada
Jean-Daniel Guigou - Luxembourg School of Finance, Luxembourg

Discussant: Eleni Sophocleous - Durham University, United Kingdom

LUNCHEON

12:15-1:45 p.m. Magnolia & Azalia

Tuesday 1:45-3:30

SESSION 49 **Room 1**

MARKET EFFICIENCY III
Session Chair: Tony Naughton - RMIT University, Australia

"Equity Options and the Efficiency of Underlying Stock Prices"
Benjamin Blau - Utah State University, United States
Tyler Brough - Utah State University, United States

Discussant: Sina Badreddine - Middlesex University, United Kingdom

"Momentum, Liquidity and Volatility: What Is the Relationship?"
Sina Badreddine - Middlesex University, United Kingdom
Emilios Galariotis - Audencia Nantes School of Management, France

Discussant: Dennis Olson - American University of Sharjah, United Arab Emirates

"Analyzing Volatility Behavior and Market Efficiency of UK Oil & Gas Sector"
Muhammad Surajo Sanusi - The Robert Gordon University, United Kingdom

Discussant: Tyler Brough - Utah State University, United States

SESSION 50 **Room 2**

PAYOUT POLICY II
Session Chair: Laurence Booth - University of Toronto, Canada

"Can the Information Content of Share Repurchases Improve Out-of-Sample Predictive Performance?"
Dimitrios Andriosopoulos - Swansea University, United Kingdom
Dimitrios Chronopoulos - University of St Andrews, United Kingdom
Fotios Papadimitriou - University of Southampton, United Kingdom

Discussant: Minji Song - KAIST, Korea

"The Frequency of Stock Repurchases and Detecting False Signaling"
Seung Hun Han - Korea Advanced Institute of Science and Technology, Korea
Minji Song - Korea Advanced Institute of Science and Technology, Korea

Discussant: Loic Belze - Emlyon, France

"Neutralization of Corporate Governance Mechanisms: The Preventive Anti-Takeover Defenses in a Code Law Country"
Loic Belze - EMLYON, France
Geraldine Hottegindre - EMLYON, France
Mahbub Zaman - Manchester Business School, United Kingdom

Discussant: Sheng-Hung Chen - Nanhua University, Taiwan

"Corporate Governance, CEO Compensations, and Cross-Border M&A Synergies for Acquiring Bank"
Sheng-Hung Chen - Nanhua University, Taiwan
Yu-Jiun Shen - Nanhua University, Taiwan

Discussant: Dimitrios Chronopoulos - University of St Andrews, United Kingdom

SESSION 51 **Room 3**

LIQUIDITY I
Session Chair: Nikolaos Milonas - University of Athens, Greece

"Corporate Bond Liquidity Spreads and Japanese Banks' Risk Managements: A Comparison of Two Financial Crises"
Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Adam Kolasinski - University of Washington, United States

"Evidence on the Role of Security Market Liquidity in Transmitting Financial Contagion Across Broker-Dealers and Dealer Banks"
Jefferson Duarte - Rice University, United States
Adam Kolasinski - University of Washington, United States

Discussant: Darren O'Connell - Curtin University of Technology, Australia

"Distribution Fitting, Illiquid Securities and the Intrepid Risk Modeler"
Darren O'Connell - Curtin University of Technology, Australia
Barry O'Grady - Curtin University of Technology, Australia

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"Illiquidity Shocks and the Co-Movement Between Stocks: New Evidence Using Smooth Transition"
Patricia Chelley-Steeley - Aston University, United Kingdom
Christos Savva - Cyprus University of Technology, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

SESSION 52 **Room 4**

BEHAVIORAL FINANCE II
Session Chair: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

"Momentum Phenomenon in the Chinese Class A and B Share Markets: An Empirical Re-Investigation"
Taufiq Choudhry - University of Southampton, United Kingdom
Yuan Wu - University of Exeter, United Kingdom

Discussant: Gady Jacoby - Seton Hall University, United States

"Investor Sentiment and Asset Pricing"
Aron Gottesman - Pace University, United States
Gady Jacoby - Seton Hall University, United States
Yan Wang - Brock University, Canada

Discussant: Soosung Hwang - Sungkyunkwan University, Korea

"Fishing with a License? An Empirical Search for Factors Using Individual Stocks"
Soosung Hwang - Sungkyunkwan University, Korea
Alexandre Rubesam - ITAU-Unibanco, Brazil

Discussant: Ania Zalewska - University of Bath, United Kingdom

"Sensitivity of Consumer Confidence to Stock Markets' Meltdowns"
Elena Ferrer - Public University of Navarra, Spain
Julie Salaber - University of Bath, United Kingdom
Ania Zalewska - University of Bath, United Kingdom

Discussant: Yuan Wu - University of Exeter, United Kingdom

SESSION 53 **Room 5**

ECONOMETRICS
Session Chair: Ephraim Clark - Middlesex University, United Kingdom

"Pricing Interest Rate Derivatives Under Multi-Factor GARCH"
Xiaofei Li - York University, Canada
Nabil Tahani - York University, Canada

Discussant: Roselyne Joyeux - Macquarie University, Australia

"Macro Fundamentals as a Source of Stock Market Volatility in China: A GARCH-Midas Approach"
Eric Girardin - University Aix-Marseille, France
Roselyne Joyeux - Macquarie University, Australia

Discussant: Seppo Pynnonen - University of Vaasa, Finland

"Correlation and Heteroskedasticity Robust Long-Horizon Event Study Testing"
Johan Knif - HANKEN School of Economics, Finland
James Kolari - Texas A&M University, United States
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Jose Manuel Feria-Dominguez - Pablo De Olavide University, Spain

"Testing OPVaR Accuracy: An Empirical Back-Testing on the Loss Distribution Approach"
Jose Manuel Feria-Dominguez - Pablo De Olavide University, Spain
Enrique Jimenez-Rodriguez - Pablo De Olavide University, Spain
M. Paz Rivera-Perez - Pablo De Olavide University, Spain

Discussant: Nabil Tahani - York University, Canada

SESSION 54 **Room 6**

SEOS/IPOS II
Session Chair: Tarek Miloud - Chambery Business School, France

"Private Placements to Owner-Managers: Theory and Evidence"
V. Ravi Anshuman - Indian Institute of Management Bangalore, India
Vijaya Marisetty - RMIT University, Australia
Marti Subrahmanyam - New York University, United States

Discussant: Silvio Vismara - University of Bergamo, Italy

"How Do Underwriters Select Peers When Valuing IPOs?"
Stefano Paleari - University of Bergamo, Italy
Andrea Signori - University of Bergamo, Italy
Silvio Vismara - University of Bergamo, Italy

Discussant: Donia Trabelsi - Telecom Business School, France

"Competitive Effect of Private Equity Backed Firms in Initial Public Offerings"
Saloua Bouzaidi - University Evry Val d'Essonne, France
Donia Trabelsi - Telecom Business School, France

Discussant: Winnie Poon - Lingnan University, Hong Kong

"Does Having a Credit Rating Leave less Money on the Table When Raising Capital? A Study of Credit Ratings and Seasoned Equity Offerings in China"
Winnie Poon - Lingnan University, Hong Kong
Kam Chan - Western Kentucky University, United States
Michael Firth - Lingnan University, Hong Kong

Discussant: Marti Subrahmanyam - New York University, United States

SESSION 55 **Room 7**

COMMODITIES
Session Chair: Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

"Is the Convenience Yield a Good Indicator for a Commodity's Criticality?"
Christian Stepanek - University of Augsburg, Germany
Matthias Walter - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany

Discussant: Rangga Handika - Macquarie University, Australia

"The Relationship Between Spot and Futures Prices: An Empirical Analysis of Australian Electricity Markets"
Rangga Handika - Macquarie University, Australia
Stefan Trueck - Macquarie University, Australia

Discussant: Anna Triantafyllou - Deree College, Greece

"Is There a Lead-Lag Relationship Between Freight Rates and Stock Returns in the Dry-Bulk Shipping Industry?"
Ana Gusanu - Deree College Graduate School, Greece
Anna A. Merika - Deree College, Greece
Anna Triantafyllou - Deree College, Greece

Discussant: Andre Dorsman - VU University Amsterdam, Netherlands

"Imperfection of Electricity Markets"
Andre Dorsman - VU University Amsterdam, Netherlands
Geert-Jan Franx - VU University Amsterdam, Netherlands
Paul Pottuijt - Gen Holding, Netherlands

Discussant: Christian Stepanek - University of Augsburg, Germany

SESSION 56 **Room 8**

COST OF EQUITY CAPITAL
Session Chair: John Hall - University of Pretoria, South Africa

"Un-Levered Betas and the Cost of Equity Capital: An Empirical Approach"
Mehdi Sadeghi - Macquarie University, Australia
Julio Sarmiento-Sabogal - Macquarie University, Australia

Discussant: Hubert De La Bruslerie - University Paris Dauphine, France

Tuesday 1:45-3:30

"Decreasing Term Structure of Psychological Discount Rates: Experimental Estimation and Determinants"
Hubert De La Bruslerie - University Paris Dauphine, France

Discussant: Timothy Whittaker - Griffith University, Australia

"Idiosyncratic Risk of Public Private Partnerships (PPPs)"
Timothy Whittaker - Griffith University, Australia
Robert Bianchi - Griffith University, Australia
Michael Drew - Griffith University, Australia
Eduardo Roca - Griffith University, Australia

Discussant: Maritana Sedysheva - Estonian Business School, Estonia

"The Utility Function: New Strategic Approach to Optimal Budgeting in the Estonian Defense Forces"
Maritana Sedysheva - Estonian Business School, Estonia

Discussant: Julio Sarmiento-Sabogal - Macquarie University, Australia

Refreshments 3:30-3:45 p.m.

SESSION 57 **Room 1**

MICROSTRUCTURE
Session Chair: James Kolari - Texas A&M University, United States

"Short Selling Bans and Banking Share Price Dynamics: Tick by Tick Empirical Evidence from the Australia Stock Market"
Xiao Wang - RMIT University, Australia
Malick Sy - RMIT University, Australia
Tony Naughton - RMIT University, Australia
Terrence Hallahan - RMIT University, Australia

Discussant: Marios Panayides - University of Pittsburgh, United States

"Do Financial Analysts Restrain Insiders' Informational Advantage?"
Andrew Ellul - Indiana University, United States
Marios Panayides - University of Pittsburgh, United States

Discussant: Kerry Pattenden - Univeristy of Sydney, Australia

"Regulation: Is Mifid Good for All Traders?"
Frank Sensenbrenner - University of Sydney, Australia
Kerry Pattenden - Univeristy of Sydney, Australia

Discussant: Michal Czerwonko - McGill University, Canada

"Tick Size, Microstructure Noise and Volatility Inversion Effects on Price Discovery in Option Markets: Theory and Empirical Evidence"
Michal Czerwonko - McGill University, Canada
Nabil Khoury - University of Quebec, Canada
Stylianos Perrakis - Concordia University, Canada
Marko Savor - University of Quebec, Canada

Discussant: Tony Naughton - RMIT University, Australia

SESSION 58 **Room 2**

REAL OPTIONS
Session Chair: Michael Naylor - Massey University, New Zealand

"R&D Growth Options and Firms' Systematic Risk"
Nicos Koussis - Frederick University Cyprus, Cyprus
Michalis Makrominas - Frederick University Cyprus, Cyprus

Discussant: Michael Naylor - Massey University, New Zealand

"Real Options in Foreign Investment: A South American Case Study"
Michael Naylor - Massey University, New Zealand
Jeffrey Boardman - Massey University, New Zealand

Discussant: Alejandra Cabello - Universidad Nacional Autonoma De Mexico, Mexico

"Emerging Markets Multinational Corporations International Acquisitions: Real Options Valuation"
Alejandra Cabello - Universidad Nacional Autonoma De Mexico, Mexico
Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

Discussant: Tomasz Kasprowicz - Gemini, Poland

"Threshold Theory - Modeling Risk Attitude"
Tomasz Kasprowicz - Gemini, Poland
Andrzej Bednorz - Gemini, Poland

Discussant: Nicos Koussis - Frederick University Cyprus, Cyprus

SESSION 59 **Room 3**

LIQUIDITY II
Session Chair: Mehmet Karan - Hacettepe University, Turkey

"Trade Transparency and Liquidity"
Yinghua He - Toulouse School of Economics, France
Ulf Nielsson - Copenhagen Business School, Denmark
Hong Guo - Shanghai Stock Exchange, China
Jiong Yang - Shanghai Stock Exchange, China

Discussant: Stefan Prigge - Hamburg School of Business Administration, Germany

"Valuation Quality of Evolving Secondary Markets for Formerly Illiquid Assets: The Case of German KG Ship Funds"
Andre Kuester Simic - HSBA Hamburg School of Business Administration, Germany
Stefan Prigge - Hamburg School of Business Administration, Germany

Discussant: Mahir Alman - Bamberg University, Germany

"Liquidity Transformation Factors of Islamic Banks: An Empirical Analysis"
Mahir Alman - Bamberg University, Germany
Andreas Oehler - Bamberg University, Germany

Discussant: Katerina Lyroudi - University of Macedonia, Greece

"An Investigation of the Companies' Liquidity and the Factors Affecting It: The Case of Poland"
Katerina Lyroudi - University of Macedonia, Greece
Monika Rychter - University of Lodz, Poland

Discussant: Ulf Nielsson - Copenhagen Business School, Denmark

SESSION 60 **Room 4**

BEHAVIORAL FINANCE III
Session Chair: Soosung Hwang - Sungkyunkwan University, Korea

"Cash Hoards and Managerial Overconfidence"
Shih-Yun Huang - Aston University, United Kingdom
Neophytos Lambertides - Cyprus University of Technology, Cyprus
James Steeley - Aston University, United Kingdom

Discussant: Anna McAdam - University of Plymouth, United Kingdom

"An Investigation of Australian Takeover Firm Returns from an Investor Viewpoint"
Anna McAdam - University of Plymouth, United Kingdom

Discussant: Anastasios Kagkadis - Durham University, United Kingdom

"Corporate Diversification and Managerial Overconfidence"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
John Doukas - Old Dominion University Graduate School of Business, United States
Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Shih-Yun Huang - Aston University, United Kingdom

"Firm Performance and Ownership by Financial Institutions: The Case of Cyprus"
Konstantinos Chatzimichael - Cyprus University of Technology, Cyprus
Chrysovalantis Gaganis - University of Crete, Greece
Fotios Pasiouras - Technical University of Crete, Greece
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Constantin Zopounidis - Technical University of Crete, Greece

Discussant: Panayiotis Andreou - Cyprus University of Technology, Cyprus

SESSION 61 **Room 5**

EXCHANGE RATES
Session Chair: Seppo Pynnonen - University of Vaasa, Finland

"Nonlinear Dynamics of Exchange Rate Returns: A Multi-Country Experience"
Muammer Wali - Curtin University, Australia
Felix Chan - Curtin University, Australia
Meher Manzur - Curtin University, Australia

Discussant: Yacine Belghitar - Middlesex University, United Kingdom

"The Effect of Exchange Rate Movements on the Share Price Performance of UK SMEs"
Yacine Belghitar - Middlesex University, United Kingdom
Ephraim Clark - Middlesex University, United Kingdom
Salma Mefteh - ESSCA School of Management, France

Discussant: Jose Rossi - Insper Institute of Education and Research, Brazil

"Understanding Brazilian Companies' Foreign Exchange Exposure"
Jose Rossi - Insper Institute of Education and Research, Brazil

Discussant: Sam Agyei-Ampomah - University of Surrey, United Kingdom

"The Foreign Exchange Exposure of the UK Non-Financial Firms: A Comparison of Market-Based Methodologies"
Sam Agyei-Ampomah - University of Surrey, United Kingdom
Khelifa Mazouz - University of Bradford, United Kingdom
Shuxing Yin - The University of Sheffield, United Kingdom

Discussant: Meher Manzur - Curtin University, Australia

SESSION 62 **Room 6**

SEOS/IPOS III
Session Chair: Yakov Amihud - New York University, United States

"Large Shareholders and Disclosure Strategies: Evidence from IPO Lockup Expirations"
Yonca Ertimur - Duke University, United States
Ewa Sletten - Boston College, United States
Jayanthi Sunder - University of Arizona, United States

Discussant: Sabri Boubaker - Champagne School of Management, France

"The Sources of Shareholders' Wealth Gains from French Going Private Transactions: The Role of the Largest Controlling Shareholders"
Sabri Boubaker - Champagne School of Management, France
Alexis Cellier - Université Paris EST, France
Wael Rouatbi - DEFI, Tunisia

Discussant: Tarek Miloud - Chambery Business School, France

"Earnings Management and Initial Public Offerings: Evidence from the French Market"
Tarek Miloud - Chambery Business School, France

Discussant: Pascal Nguyen - University of Technology, Sydney, Australia

"Multiple Large Shareholders and Corporate Risk-Taking: Evidence from France"
Sabri Boubaker - Université Paris-Est Créteil-Val de Marne, France
Wael Rouatbi - Université Paris-Est Créteil-Val de Marne, France
Pascal Nguyen - University of Technology Sydney, Australia

Discussant: Ewa Sletten - Boston College, United States

SESSION 63 **Room 7**

HEDGING
Session Chair: Andre Dorsman - Vu University Amsterdam, Netherlands

"Dependence and Value at Risk: Study with Copulas about Capital Markets from the Americas"
Christian Bucio - Universidad Nacional Autonoma De Mexico, Mexico
Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

Discussant: Hoa Nguyen - Deakin University, Australia

"Derivative Hedging and IPO Long Run Performance"
Hoa Nguyen - Deakin University, Australia
Ming Hua Liu - Auckland University of Technology, New Zealand

Discussant: Simon Dubecq - Banque De France, France

"Shock on Variable or Shock on Distribution with Application to Stress-Tests"
Simon Dubecq - Banque De France, France
Christian Gourieroux - CREST, France

Discussant: Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

SESSION 64 **Room 8**

VALUATION
Session Chair: Roselyne Joyeux - Macquarie University, Australia

"Drivers Creating Shareholder Value in South African Manufacturing Firms"
John Hall - University of Pretoria, South Africa

Discussant: Katarzyna Platt - Baruch College and Graduate Center - CUNY, United States

"European Union Enlargement and Corporate Valuations"
Katarzyna Platt - Baruch College and Graduate Center - CUNY, United States

Discussant: Iraj Fooladi - Dalhousie University, Canada

"Could Social Responsibility Create Value?"
Ali Fatemi - Depaul University, United States
Iraj Fooladi - Dalhousie University, Canada

Discussant: Nguyen Thanh Cuong - Nha Trang University, Vietnam

"The Effect of Capital Structure on Firm Value for Vietnam's Seafood Processing Enterprises"
Nguyen Thanh Cuong - Nha Trang University, Vietnam
Nguyen Thi Canh - Vietnam National University, Vietnam

Discussant: John Hall - University of Pretoria, South Africa

6:00 - 7:00 Bus Transfer from Novotel to Aula AGH (Every 15 minutes)

KEYNOTE SPEECH

7:15-8:15 p.m. Aula AGH

Professor Jay R. Ritter
University of Florida, USA

THE DEATH OF THE IPO MARKET FOR SMALL COMPANIES

Sponsored by
AGH University of Science and Technology
Krakow, Poland

LeBow College of Business
Drexel University, USA

8:15 - 9:00 Bus Transfer from Aula AGH to Crown Piast Hotel (Every 15 minutes)

DINNER

9:00 p.m.- midnight Crown Piast Hotel

Conference Participants

MULTINATIONAL FINANCE JOURNAL

Quarterly Publication of the *Multinational Finance Society*,
a nonprofit corporation.

http://mfsociety.org
e-mail <mfj@mfsociety.org>

Aim and Scope

The *Multinational Finance Journal* (*MFJ*) publishes high-quality refereed articles on capital markets, financial institutions, management of investments, and corporate finance, dealing with issues that are relevant to the study and practice of finance in a global context. The *MFJ* makes a specific contribution by publishing research investigating phenomena related to the integration and interaction of national financial systems at the micro- and macro-finance levels and by disseminating research originating from countries with financial markets in different stages of development and diverse institutional arrangements.

Editorial Policy

The editorial policy is to accept for publication original research articles that conform to the generally accepted standards of scientific inquiry and provide pragmatic interpretations of findings. Recognizing the multinational origins of the submitted articles, the *MFJ* is open to research that reflects diversity in its methodological and theoretical underpinnings.

Submissions

Please e-mail a regular and a blind PDF copy of your manuscript to <mfj@mfsociety.org> C/O Professor Panayiotis Theodossiou, Editor-in-Chief, Multinational Finance Journal. The submission fee for MFS members is 80 euros and for non-members is 150 euros. The latter fee includes membership in the Society.

Subscriptions

Annual subscription rate is 80 euros for individuals and 220 euros for institutions. Claims for missing issues must be made within six months of the publication date. For air mail (international), please include an additional 25 euros.

LIBRARY RECOMMENDATION FORM
Multinational Finance Journal

Quarterly Publication of the *Multinational Finance Society*
a nonprofit corporation (http://www.mfsociety.org).

From (First & Last Name): ____
Institutional Affiliation: ____
Institutional Title: ____
Department & College: ____
Phone: ____
Email: ____

I recommend that our library carry a subscription to the *Multinational Finance Journal* (ISSN 1096–1879. Moreover, I would very much appreciate acquiring the following back issues of the journal.

Signature: ______________________________ Date______________________

Vol. 15, No. 1–4, 2011	€220	________
Vol. 14, No. 1–4, 2010	€210	________
Vol. 13, No. 1–4, 2009	€200	________
Vol. 12, No. 1–4, 2008	€180	________
Vol. 11, No. 1–4, 2007	€160	________
Vol. 10, No. 1–4, 2006	€140	________
Vol. 9, No. 1–4, 2005	€120	________
Vol. 10, 2006–Vol 14, 2010 (5 Volumes) (savings 25%)	€835	________
Vol. 7, 2002–Vol 14, 2010 (8 Volumes) (savings 30%)	€970	________
Vol. 1, 1997–Vol 14, 2010 (14 Volumes) (savings 35%)	€1,415	________
Shipping Cost	____ Volumes × €25 =	________
Total		________

Periodicals Librarian - Below, please provide the library contact person name, email, tel, fax and mailing address:

Contact Person:

Email:

Tel & Fax:

Mailing Address:

Please **email** gbp@mfsociety.org, a scanned version of this form. An invoice will be sent to you immediately. Upon receipt of payment, the product will be shipped to your mailing address above.

Note: Proquest or EBSCO are not permitted to carry electronic MFJ issues after 2007.

NOTES

NINETEENTH ANNUAL CONFERENCE
MULTINATIONAL FINANCE SOCIETY

http://www.mfsociety.org

Organized by

Department of Economics, Finance
and Environmental Management
Faculty of Management
AGH University of Science and Technology
Krakow, Poland

LeBow College of Business,
Drexel University, Philadelphia, USA

June 24 - June 27, 2012
Novotel Krakow Bronowice
Ul. Armii Krajowej 11
30-150 Krakow
POLAND

SESSION 1 **Room 1**

PORTFOLIO MANAGEMENT I
Session Chair: Lakshman Alles - Curtin University of Technology, Australia

"Practical Weight-Constrained Conditioned Portfolio Optimization Using Risk Aversion Indicator Signals"
Marc Boissaux - University of Luxembourg, Luxembourg
Jang Schiltz - University of Luxembourg, Luxembourg

Discussant: Yakov Amihud - New York University, United States

The problem of conditioned portfolio optimization, in which predictive information about returns contained in a signal is used to inform the choice of portfolio weights, was first expressed and solved in concrete terms by Ferson and Siegel ([1]). An optimal control formulation of conditioned portfolio problems was proposed and justified by Boissaux and Schlitz ([2]). This opens up the possibility of solving variants of the basic problem that do not allow for closed-form solutions. The present paper contributes to the empirical literature on this topic. We compare ex ante and ex post performances of strategies resulting from conditioned optimization and using several possible indicators for signaling purposes to those obtained using classical portfolio techniques. We then discuss different problem parameters, examine their impact on performance and check whether significant ex post improvements may be achieved through optimal parameter selection.

"Mutual Fund R-sqr As Predictor Of Performance"
Yakov Amihud - New York University, United States
Ruslan Goyenko - McGill University, Canada

Discussant: Ursula Walther - Frankfurt School of Finance and Management, Germany

abstract:we propose that fund performance can be predicted by its r2, obtained from a regression of its returns on a multi-factor benchmark model. lower r2 indicates greater selectivity and it significantly predicts higher alpha. funds sorted into lowest-quintile lagged r2 and highest-quintile lagged alpha produce significant annual alpha of 3.2% or more. across funds, r2 is positively related to the fund's size and negatively related to its expenses and manager's tenure.

"Inhomogeneous Network Models for US Financial Systems"
Arnd Hubsch - Frankfurt School of Finance and Management, Germany
Ursula Walther - Frankfurt School of Finance and Management, Germany

Discussant: Yuliya Plyakha - Goethe University Frankfurt, Germany

This work extends the model introduced by Nier et al. (2007) to inhomogeneous networks so that the role of well-connected banks, financial institutions with disproportionate interbank assets, and big banks focusing on wholesale and retail customers within financial network can be studied. Whereas well-connected banks and big retail banks have only a very modest impact on the system stability, we found a significantly enhanced contagion risks for networks containing institutions with disproportionate interbank assets. Finally, we show that these effects can be partly compensated by a suited regulatory response demanding additional net worth buffers for banks with over average volume of interbank assets.

"Why Does an Equal-Weighted Portfolio Outperform Value- and Price-Weighted Portfolios?"

Yuliya Plyakha - Goethe University Frankfurt, Germany
Raman Uppal - CEPR, United Kingdom
Grigory Vilkov - Goethe University Frankfurt, Germany

Discussant: Marc Boissaux - University of Luxembourg, Luxembourg

We compare the performance of equal-, value-, and price-weighted portfolios of stocks in the major US equity indices over the last four decades. We find that the equal-weighted portfolio with monthly rebalancing outperforms the value- and price-weighted portfolios in terms of total mean return, four factor alpha, sharper ratio, and certainty-equivalent return, even though the equal-weighted portfolio has greater portfolio risk. The total return of the equal-weighted portfolio exceeds that of the value- and price-weighted because the equal-weighted portfolio has both a higher return for bearing systematic risk and a higher alpha when using the four-factor model. The nonparametric test of Patton and Timmermann (2009) indicates that the differences in the total return of the equal-weighted portfolio and the value-and price-weighted portfolios is monotonically related to size, price, liquidity and idiosyncratic volatility; the relation with reversal is not monotonic, although the...

SESSION 2 **Room 2**

CORPORATE GOVERNANCE I

Session Chair: Dan Palmon - Rutgers Business School, United States

"Does a Country's Financial and Legal Systems Contemporaneously Impact the Governance and Performance Relationship: Further Evidence?"

Anne Anderson - Lehigh University, United States
Parveen Gupta - Lehigh University, United States
Andrey Zagorchev - Concord University, United States

Discussant: Ronen Barak - Bar Ilan University, Israel

We investigate the impact of continuous measures of financial orientation and legal system on the relation between corporate governance and firm performance. Using a sample of 1519 firms from 22 countries, we find that jointly higher-levels (lower-levels) of stock market capitalization and minority shareholders protection generate market value synergies in the governance-performance relationship. Besides the interaction of financial orientation and investor protection with corporate governance, market- (bank-) orientation, stronger (weaker) investor protections and better (worse) corporate governance are associated with higher (lower) valuations. Firms operating in a market oriented economy with enhanced investor protection seem to have better corporate governance and higher firm performance.

"Ownership Concentration and the Value Effect of Related Party Transactions"

Yaron Amzaleg - Peres Academic Center, Israel
Ronen Barak - Bar Ilan University, Israel

Discussant: Elyas Elyasiani - Temple University, United States

We investigate 218 related party transactions (RPTS) in Israel, an economy characterized by a high percentage of closely held firms, and identify a non-linear inverted U connection between the value effect of RPT and the level of firm ownership concentration. This non-linear connection is similar to the worldwide documented quadratic (inverted U) relation between ownership concentration and a firm's Tobin's q. The relation becomes even stronger statistically, when we measure ownership concentration using a strategic power approach, in an attempt to identify the source of this puzzling connection.

"Bank Holding Company Performance, Risk and "Busy" Board of Directors"
Elyas Elyasiani - Temple University, United States
Ling Zhang - Temple University, United States

Discussant: Joseph Gawer - Natixis Asset Management, France

We examine the relationship between bank holding company (BAH) performance, risk and "busy" board of directors (directors with three or more directorships) using a sample of bucks over the 2001-2010 period and the 3sls technique. We find that: I) busy directors are associated with a higher bah return on assets, Tobin's q and ebit/total asset ratio, ii) bucks with a greater number of busy directors are associated with lower total risk (standard deviation of stock returns), market risk (beta), idiosyncratic risk (standard errors of the camp model) and default risk (higher z-score), iii) busy directors are associated with lower credit risk (lower percentage of non-performing assets over total assets), iv), busy directors are not more likely to fail the meeting attendance test. Major implications for investors, regulators, and firm managers are drawn.

"Corporate Governance Scores and Medium-Term Stock Returns"
Joseph Gawer - Natixis Asset Management, France

Discussant: Andrey Zagorchev - Concord University, United States

In this paper, we investigate a neglected aspect of corporate governance impact on firm performance: the revisions in corporate governance scores (CGS). Using a data set of CGS from 1999 to 2009 on European firms in a long-term event study analysis, we establish three findings. 1/ country characteristics play an important role in the explanation of cogs. 2/ high scores of governance are positively and significantly associated with subsequent abnormal returns over medium-term horizons. Finally, upward revisions in cogs have a positive and robust association with subsequent abnormal returns in both short and medium-term horizons. Thus, the investors' under reaction to revisions in cogs could be an effective investment strategy. Long-short strategies based on revisions yield positive and significant abnormal returns over medium-term horizons. These empirical evidences suggest that investors must consider not only the cogs but also the scores revisions when building equity portfolios.

SESSION 3 **Room 3**

BANKS I
Session Chair: Taufiq Choudhry - University of Southampton, United Kingdom

"A Behavioral Analysis of Informational Efficiency in Bank-Based Financial Systems"
David Peon - Universidade Da Coruna, Spain
Anxo Calvo - Universidade Da Coruna, Spain

Discussant: Tomasz Michalski - HEC Paris, France

We introduce an alternative approach to analyze informational efficiency in bank-based financial systems. We consider efficiency at a macro level, and use a 3-step behavioral approach (Heifer, 2000). We suggest several biases that could affect how banks analyze information and decide whether to grant credit, and others that might cause or evidence a correlated credit market. Limits of arbitrage in the industry are analyzed, suggesting private banks will have not an economic motivation to calm booms and soften busts, so informational efficiency in bank-based systems would rely on authorities. We are aware of the limitations of this approach, but in our opinion it could be a valid contribution to the current debate on macro prudential regulation since (1) biases identified might suggest introducing de-biasing procedures in the industry, and (2)limits of arbitrage might provide a rationale for countercyclical regulation and for central banks to promote financial stability.

"US Banking Integration and State-Level Exports"

Tomasz Michalski - HEC Paris, France
Evren Ors - HEC Paris, France

Discussant: Melek Acar Boyacioglu - Selcuk University, Turkey

Using inter-state banking deregulation in the US as an exogenous experiment, we find that a 1% increase in banking integration between US caused a 0.164-0.184% increase in the foreign exports/domestic shipments ratio for US level exports in the years 1992-1996. We can ascribe these effects to the integration by banks with foreign assets: a 1% increase in banking integration through such banks caused the exports/domestic shipments ratio to increase by 0.22-0.41% while the expansion of banks with purely domestic assets appears to have no impact. Given our empirical specification, this increase in openness can be attributed to an increase in capital to cover variable and fixed export costs relative to domestic shipping costs and a higher provision of trade finance services. Serving new destinations (the extensive margin defined at the state-country level) accounts for 22% to 28% of the banking integration effect that we observe.

"Measurement of Financial Efficiency in the Turkish Banking Sector Using the Data Envelopment Analysis"

I. Erem Sahin - Selçuk University, Turkey
Ramazan Aktas - TOBB University of Economics and Technology, Turkey
Melek Acar Boyacioglu - Selcuk University, Turkey

Discussant: Sazali Abidin - University of Waikato, New Zealand

The purpose of this study is to measure the efficiency of banks, which are leading actors in the financial system, using the data envelopment analysis and investigate whether there is a development in their efficiency on a yearly basis by the help of malmquist total factor productivity index. In this context, we have used uninterrupted data belonging to 16 commercial banks in the Turkish banking sector with public and private capital between 2007 and 2009. According to the results of the analysis determined using the input and output components by adopting the production approach, the efficiency levels of the banks were high and there was a slight increase in their total factor productivity on a yearly basis.

"Banking Efficiency in Asia-Pacific Countries"

Sazali Abidin - University of Waikato, New Zealand
Enkhzaya Erdenebileg - University of Waikato, New Zealand
Azilawati Banchit - University of Waikato, New Zealand

Discussant: David Peon - Universidade Da Coruna, Spain

This paper examines the cost efficiency of producing banking service and profit of banks in 11 Asia-pacific countries namely Australia, Japan, Hong Kong, china, south Korea, Taiwan, Malaysia, Singapore, Thailand, Indonesia and the Philippines. The selected countries are represented by the 3 largest banks ranked by market capitalization in each country. We employed data envelopment analysis (DEA) based on financial data of the banks between 2006 and 2010. Empirical results indicate the efficiencies of producing banking services and profit in most of the countries have increased throughout the period of study.

REAL ESTATE
Session Chair: Giovanni Favara - IMF, United States

"Taxable Subsidiaries Within a Tax-Sheltered Firm: The Case of Real Estate Investment Trusts"
Anamaria Calincan - University of Missouri, United States
Dan French - University of Missouri, United States

Discussant: Francisco Jose Callado Munoz - University of Girona, Spain

We examine the financial performance of REITs that set up a taxable refit subsidiary (trs). Trss offer REITs the opportunity to increase the spectrum of services offered to tenants without jeopardizing their status as REITs. We ask whether REITs with trss perform differently than REITs without a trs. We measure performance in terms of Tobin's q, return on assets and return on equity using the funds from operations as measure of refit profits. Our results do not support the notion that trss contribute to refit profitability.

"Determinants of Households' Risk"
Francisco Jose Callado Munoz - University of Girona, Spain
Natalia Utrero Gonzalez - University of Girona, Spain

Discussant: Giovanni Favara - IMF, United States

This paper deals with risk taking attitude and behavior of households in Spain. It analyses whether business owning households are more risk tolerant than non owners, and which household features are conditioning risk taking perceptions and their relation to risk behavior. For that, it uses data from the 2005 Spanish survey of household finance (EFF). The paper improves the definition and measurement of risk behavior and stress the relevance of owning a business or your home on your risk characteristics. Results will help to increase the understanding of risk tolerance and behavior.

"Credit Supply and the Price of Housing"
Giovanni Favara - IMF, United States
Jean Imbs - Paris School of Economics, France

Discussant: George Georgopoulos - York University, Canada

We show that since 1994, branching deregulations in the US have significantly affected the supply of mortgage credit originated by banks, and ultimately house prices. But the deregulation has no effect on a placebo sample of mortgage companies that is not affected by the regulatory change. This sharpens the causal interpretation of our results. We find evidence house prices rise with branching deregulation, particularly so in areas where construction is inelastic for topographic reasons. To tighten identification, we also focus on a reduced cross-section formed by counties on each side of a state border. Our conclusions are strengthened.

"Factors Determining Bank Debt vs Bond Debt of Canadian Corporations"
George Georgopoulos - York University, Canada

Discussant: Dan French - University of Missouri, United States

This paper will investigate the determinants of two forms of financing and the effects on the volume of these instruments from the financial crisis and the associated contraction in overall credit. Specifically, we look at publicly listed Canadian corporate holdings of two such debt instruments, syndicated bank loans and bond issues. We investigate potential differential effects of the financial crisis on the levels of the two instruments, controlling for firm specific financial performance and structure measures. We also investigate whether a firm's size has any bearing on the degree of impact on each financial instrument holding during the financial crisis. Using firm specific data over the period 1997Q1-2009Q3 , we find that firm size is a consistent determinant of both forms of debt issue. Furthermore this factor becomes more pronounced during the financial crisis.

SESSION 5 **Room 5**

FINANCIAL CRISIS I
Session Chair: Ania Zalewska - University of Bath, United Kingdom

"Are Short Sellers Positive Feedback Traders? Evidence from the Global Financial Crisis"
Martin Bohl - University of Munster, Germany
Arne Klein - Westphalian Wilhelminian University of Munster, Germany
Pierre Siklos - Wilfrid Laurier University, Canada

Discussant: Anastasios Malliaris - Loyola University Chicago, United States

Short sellers are routinely blamed for destabilizing stock markets by exacerbating deviations from fundamental values. In response, regulators periodically impose short sale constraints aimed at preventing excessive stock market declines. One explanation is that policy makers regard short sellers behaving as positive feedback traders. Relying on the theoretical model put forward by sentana andwadhwani (1992) which stresses the conditional nature of returns' persistence, bans on selected financial stocks in six countries during the 2008/2009 global financial crisis provide us with a setting to analyze the effect of short sale restrictions on feedback trading. To date, empirical evidence only deals with unconditional correlation of returns. Our findings suggests that in the majority of markets the restrictions amplify positive feedback trading and, hence, contribute to stock market downturns.

"Global Financial Imbalances: The Role of the Financial Crisis"
Anastasios Malliaris - Loyola University Chicago, United States
Mary Malliaris - Loyola University Chicago, United States

Discussant: Marco Guidi - University of Glasgow, United Kingdom

The global monetary system is characterized by currency volatility, free capital movements and massive financial imbalances caused primarily by the large deficits in the US trade and current accounts. The global financial crisis of 2007-09 supplied additional evidence that these imbalances contribute to global instabilities. An attempt to moderate some of the difficulties experienced by the global monetary system and the volatility of the US dollar was the formation of the economic and monetary union (EMU) and the creation of the euro. We also discuss the role of global imbalances during the recent global financial crisis and evaluate current options for economic policies and regulations.

"The Moral Deficit of Financial Institutions and the Credit Crisis: The the Moral Debt Perspective"
Marco Guidi - University of Glasgow, United Kingdom

Discussant: Ma Tai - National Sun Yat-Sen University, Taiwan

The massive moral deficit of the financial institution and its elite agents has instigated and perpetuated the current credit crisis. The credit crisis has been fueled by the financial institution and its elite agents' biased pursuit for self-serving excessive private gain to the detriment of society through opportunistic casino decisions. The massive externalities imposed onto society are due the financial institution's unwillingness to internalize the full consequences of these decisions. Thus, the financial institution unjustly redistributes 'costly tail risks' to society whilst they pocket the 'profitable tail risks'. They do this by exploiting too-big-to-fail, quantitative easing, capital requirement system, and 'fraudulent' ideology for excessive self-serving private gain. In other words, financial institutions intentionally violate their fiduciary (explicit) and moral (implicit) obligations to best serve the broad interests of society, thereby increasing their moral deficit.

"The Role of Individual Investors in Liquidity Risk and Financial Crisis"

Tai Ma - National Sun Yat-Sen University, Taiwan
Kai-Wei Chang - National Sun Yat-Sen University, Taiwan
Chun-Hao Yin - National Sun Yat-Sen University, Taiwan

Discussant: Martin Bohl - University of Munster, Germany

Past studies on financial crisis concentrate largely on the fundamental and investors' herding behavior aspects and from a market wide perspective. This study attempts to analyze the epidemic liquidity crunch from market microstructure and behavioral finance viewpoint. We find stocks more heavily traded by individuals before financial crises or having greater divergence of opinion are hit more seriously in terms of liquidity risk during the crisis. We also show that the results are consistent with the difference in disposition effects between institutional and individual investors. Specifically, we find that individual investors' behaviors change from the pre-crisis, non-selling inclination in loss situation to loss-cut selling during the crisis. The results of the study should shed light on the relationship between behavioral factors and cross-sectional difference in liquidity crunch, and provide complementary evidence on assets pricing.

SESSION 6 **Room 6**

VOLATILITY I

Session Chair: Ali Termos - American University of Beirut, Lebanon

"Volatility and Shock Transmission Between ISE City Indices and Main Indices"

Ekin Tokat - TOBB University of Economics and Technology, Turkey
Esref Basci - Hitit University, Turkey
Mehmet Doganay - Cankaya University, Turkey
Ramazan Aktas - TOBB University of Economics and Technology, Turkey

Discussant: Peter Molnar - Norwegian University of Science and Technology, Norway

This paper investigates the shock and volatility transmission among the Istanbul stock exchange (ISE) city indices and ise major indices (ISE 30 and ISE 100). Multivariate arch model is employed to estimate the mean and conditional variance by using the daily return series of indices from jan. 2nd, 2009 to nov. 16th, 2011. Our results show significant volatility transmission from major indices to city indices. In all cases, city indices receive volatility from major indices but only in the case of some cities, we found shock spillover from ise major indices to the volatility of city indices. Patterns found in volatility mechanism among the ise indices would deliver further insight to the financial market participants for hedging purposes and optimal portfolio allocation decisions.

"High-Low Range in GARCH Models of Stock Return Volatility"

Peter Molnar - Norwegian University of Science and Technology, Norway

Discussant: Faten Ben Slimane - Groupe Esc Troyes, France

Garch volatility models should not be considered as data-generating processes for volatility but just as filters. Based on this insight we suggest a simple and general way to improve the arch volatility models using the difference between the highest and the lowest price of the day. We illustrate this idea on the arch(1,1) model, which we modify into the range ARCH(1,1) model. An empirical analysis confirms that the RGARCH(1,1) model performs significantly better than the standard ARCH(1,1) model regarding both in-sample fit and out-of-sample forecasting ability.

"Interdependency and Spillover during the Financial Crisis of 2007 to 2009 – Evidence from High Frequency Intraday Data"
Faten Ben Slimane - Groupe ESC Troyes, France
Mohamed Mehanaoui - Paris West University Nanterre La Défense, France
Irfan A. Kazi - Paris West University, France

Discussant: Hue Hwa Au Yong - Monash University, Australia

The paper examines the intraday dynamics and volatility transmission among four developed international stock markets, namely, France, Germany, United Kingdom and United States during "calm" and "turmoil" period. The methodological design is a bi-variate vector autoregressive exponential arch (VAR-EGARCH) model which is appropriate to study the information transmission across markets through volatility. The empirical findings reveal that the relationships among European markets increased during the crisis period. In addition, considering the role of the us market, the results show that it strongly influences stock returns and volatility in Europe - in all periods, while the reverse does not hold true. These finding have important implications for both policymakers and investors.

"Contagion and Flight-to-Quality: Evidences from the Asia-Pacific Economic Cooperation (APEC) Region"
Yu-Tung Peng - Monash University, Australia
Hue Hwa Au Yong - Monash University, Australia
Sirimon Treepongkaruna - The University of Western Australia, Australia

Discussant: Mehmet Doganay - Cankaya University, Turkey

This paper investigates the existence of contagion and flight-to-quality phenomena during crisis periods in the stock and bond markets of apec countries between 1995 and 2010. The possible determinants of these phenomena are also explored. The findings show the presence of contagion effects among stock markets of apec countries and between the US and Canadian bond markets. There are evidences of flight-to-quality from majority of the stock markets to the US bond market. Market sentiment plays an important role in explaining both contagion and flight-to-quality phenomena. Our findings suggest that governments should facilitate bond market development to prevent the propagation of crises.

SESSION 7 **Room 7**

DERIVATIVE MARKETS I
Session Chair: Gautam Goswami - Fordham University, United States

"An Empirical Comparison of Ad Hoc Black and Scholes Models"
Suk Joon Byun - Korea Advanced Institute of Science and Technology, Korea
Sol Kim - Hankuk University of Foreign Studies, Korea
Dong Woo Rhee - Samsung Asset Management, Korea

Discussant: Anastasios Kagkadis - Durham University, United Kingdom

There are two ad hoc approaches to bs: the "relative smile" and "absolute smile" approaches. The "relative smile" approach treats the implied volatility skew as a fixed function of moneyness (S/K), whereas the "absolute smile" approach treats it as a fixed function of the strike price (K). Previous studies reveal that the "absolute smile" approach is superior to the "relative smile" approach as well as to other sophisticated models in terms of pricing performance. The present study indicates that the superiority of the "absolute smile" approach still holds even after the time to maturity is considered in ad hoc bs modeling.

"Investor Sentiments, Rational Beliefs and Option Prices"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Anastasios Kagkadis - Durham University, United Kingdom
Dennis Philip - Durham University, United Kingdom

Discussant: Maria-Isabel Martinez-Serna - Universidad de Murcia, Spain

"The Role of Implied Volatility for Explaining Consumer Sentiment: Evidence for the US and Germany"
Raquel Lopez - University of Castilla - La Mancha, Spain
Maria-Isabel Martinez-Serna - Universidad de Murcia, Spain
Eliseo Navarro - Universidad de Alcalá, Spain

Discussant: Helena Koscielniak - Czestochowa University of Technology, Poland

In this paper we examine the information content of interest rate volatility for explaining economic agents' expectations on the business cycle as measured by consumer confidence indicators. The volatility measure is the one-year implied volatility of caps and floors. We find that implied volatility adds significantly to the yield spread and the change in the short-term interest rate for explaining consumer sentiment before and during the current financial crisis in the US and Germany. Moreover, implied volatility outperforms realized volatility in all the cases.

"Jessica – Financial Engineering In Poland"
Helena Koscielniak - Czestochowa University of Technology, Poland
Mateusz Gorka - Centrum Projektow Rewitalizacji S.A., Poland

Discussant: Sol Kim - Hankuk University of Foreign Studies, Korea

Jessica is a financial engineering instrument, developed by the european commission and the european investment bank, in collaboration with the council of europe development bank (ceb) in 2005. the objective of the mechanism is to use some of eu grant funding from structural funds to make repayable investments [loans, guarantees, equity] in projects included in local regeneration plans or integrated plans for urban development that contribute to sustainable development of regenerated areas. jessica is a revolving financial instrument implemented by four polish regions [pomerania, silesia, greater poland and western pomerania] as a new solution to attract investors.

SESSION 8 **Room 8**

CAPITAL STRUCTURE I
Session Chair: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"Does Anchoring Explain Capital Structure Decisions?"
Khaled Soufani - Concordia University, Canada
Terence Tse - ESCP Europe, United Kingdom
Othman Cole - ESCP Europe, United Kingdom
Anas Aboulamer - Concordia University, Canada

Discussant: Laurie Prather - Bond Univeristy, Australia

This paper examines the relationship between anchoring as a behavioral bias exhibited by managers and their decisions on whether to issue debt or equity. The argument put forward is derived from the market timing argument, in which managers decide on whether to issue debt or equity based on their perception of whether the value of the firm, given by its share price and market capitalization, is overvalued or has peaked or is undervalued. We investigate whether anchoring captured by a number of proxies including market-to-book ratios, the proportion of shares sold off that are held by managers, the exercising of stock options held by managers long before their expiration dates, share repurchases, stock returns, bond yields, 52-week share price highs, and share prices at last equity issue and last debt issue, sufficiently explains the changing levels of debt or capital structure mix adopted by firms.

"The Impact of Product Warranties on the Capital Structure of Australian Firms"

Bayan Arqawi - Bond University, Australia
William Bertin - Bond University, Australia
Laurie Prather - Bond Univeristy, Australia

Discussant: Zeynep Onder - Bilkent University, Turkey

This paper examines the impact of Australian firms' warranty policies on their capital structures. The sample consists of 261 firms and 937 firm-years for Australian public firms for the period 2007-2010. The results suggest that warranty policies impact on Australian firms' capital structures. Consistent with earlier Australian studies, size and asset tangibility are positively related to leverage; growth and profitability are negatively related to leverage; and earnings volatility and industry concentration are unrelated to leverage. In addition to these previously identified relationships, the firms' warranty policies have a negative impact on leverage.

"Determinants of Capital Structures of Small and Medium Enterprises in Turkey"

Ugur Cakova - Bilkent University, Turkey
Zeynep Onder - Bilkent University, Turkey

Discussant: Agnieszka Trzeciakiewicz - The University of Hull, United Kingdom

This paper examines factors affecting financial structures of Turkish small and medium sized enterprises (SMEs). The initial results confirm that capital structure decisions of Turkish smes are consistent with pecking order theory. Firms seem to decrease their average debt ratios as economic conditions improve. Although there exist significant industry differences, firm characteristics are found to be more important in explaining capital structures of Turkish smes.

"CEO's Power of Influence on Board of Directors and its Impact on Capital Structure"

Agnieszka Trzeciakiewicz - The University of Hull, United Kingdom

Discussant: Anas Aboulamer - Concordia University, Canada

This paper investigates the influence of the chief executive officer on capital structure. To quantify the magnitude of this impact the board capture measure is constructed on the basis of CEOs tenure, ownership and past performance. Besides enhancing the understanding of the impact of the COO on leverage the broader contribution of this paper is to show that the spread of power between coo and co can in part explain the capital structure decision. Analyzing a data set for a sample of non-financial companies listed on London stock exchange from the period 2000-2009, it is found that the board capture is negatively associated with leverage and this relation may be constrained by a strong co. Moreover the results indicate that in the period of financial crisis (2007-2009) the spread of power between the COO and the CO becomes more significant in determining the capital structure.

SESSION 9 **Room 1**

PORTFOLIO MANAGEMENT II
Session Chair: Ursula Walther - Frankfurt School of Finance and Management, Germany

"Are There Excess Rewards for Exposure to Downside Risk? An Empirical Examination of Asian Markets During Both Upturns and Downturns"
Lakshman Alles - Curtin University of Technology, Australia
Louis Murray - University College Dublin, Ireland

Discussant: Mario Brandtner - Friedrich Schiller University of Jena, Germany

Distributional properties of emerging market returns may impact on investor ability and willingness to diversify, thus invalidating CAPM assumptions. Investors may also place greater weighting on downside losses, compared to upside gains. Using individual equities in a range of emerging Asian markets, we investigate the potential contribution of downside risk measures to explain asset pricing in these markets. As realized returns are used as a proxy for expected returns, we separately examine conditional returns in upturn and downturn periods, in order to successfully identify risk and return relationships. Results indicate that co-skewness and downside beta are priced by investors. Further testing confirms a separate premium for each measure, confirming that they capture different aspects of downside risk. Robustness tests confirm that, when combined with other risk measures, both retain their explanatory power. Tests also indicate that co-skewness may be the more robust measure.

"On the (Mis)use of Conditional Value-at-Risk and Spectral Risk Measures for Portfolio Selection: A Comparison with Mean-Variance Analysis"
Mario Brandtner - Friedrich Schiller University of Jena, Germany

Discussant: Didier Maillard - CNAM, France

We study portfolio selection using conditional value-at-risk and, as its natural extension, spectral risk measures instead of the variance. We do not focus only on the derivation of the efficient frontiers, but also consider the choice of optimal portfolios within an integrated framework. We find that spectral risk measures tend towards corner solutions. If a risk free asset exists, diversification is never optimal. Similarly, for risky assets we obtain only limited diversification. The reason is that spectral risk measures are based on a regulatory concept of diversification that differs fundamentally from the reward-risk tradeoff underlying the traditional mean-variance framework.

"Stock-Options and Portfolio Management"
Didier Maillard - CNAM, France

Discussant: Peter Scholz - Frankfurt School of Finance & Management, Germany

Stock-options may represent a significant share of mangers' wealth, in certain cases several times the value of other assets. This tends to create a serious unbalance in the structure of their total portfolio, with an excessive exposure to their firm's stock value, and also an excessive exposure to its volatility. The result is that stock-options are worth less to the holder than their market, or model, value. With reasonable parameters for risk aversion, stock-options are worth to the holder 50% of their market value if that market value is half the value of other assets, 30% percent if it is equal to, and 20% if it is to twice that value. The mitigation of risk that could be expected, in the managed part of wealth, by reducing the exposure to (or even shorting) the risky assets, or better reducing the exposure to the firm's stock, will be limited, except if the options are largely out of the money. However, a full coverage of options would conflict with incentive objectives.

"Size Matters! How Position Sizing Determines Risk and Return of Technical Timing Strategies"
Peter Scholz - Frankfurt School of Finance & Management, Germany

Discussant: Louis Murray - University College Dublin, Ireland

The application of a technical trading rule, which just provides long and short signals, requires the investor to decide upon the exposure to stake in each trade. Although this position sizing (or money management) crucially affects the risk and return characteristics, recent academic literature has largely ignored this effect, leaving reported results incomparable. This work systematically analyzes the impact of position sizing on timing strategies and clarifies the relation to the Kelly criterion, which proposes to bet relative fractions from the remaining gambling budget. Both erratic as well as different relative positions, i.e. fixed proportions of the remaining portfolio value, are compared for simple moving average trading rules. The simulation of parameterized return series allows systematically varying those asset price properties, which are most influential on timing results: drift, volatility, and auto-correlation.

SESSION 10 **Room 2**

CORPORATE GOVERNANCE II
Session Chair: Elyas Elyasiani - Temple University, United States

"Expropriation and Monitoring Effect of Independent Board on Firm Value During the Global Financial Crisis"
Seung Hun Han - Korea Advanced Institute of Science and Technology, Korea
Hohyun Kim - Korea Advanced Institute of Science and Technology, Korea

Discussant: Fabiola Montalto - University of Calabria, Italy

This paper shows expropriation and monitoring effects of outside directors on firm value during the global financial crisis. Using Korean data, we find evidence of expropriation not only in chaebol firms, but also non-chaebol firms. Chaebol firms with concentrated ownership by controlling shareholders experienced a larger drop in firm value. Non-chaebol firms had lower returns as controlling shareholders had higher ownership and available free cash flow. Interestingly, however, the evidence of expropriation in non-chaebol firms disappeared when firms had high board independence. For chaebol firms, share values' discount by ownership disparity was alleviated by board independence. Our results suggest that emerging markets still experience firm value discount by expropriation, but reforms of corporate governance can reduce the expropriation effect.

"Ownership Concentration and Corporate Performance: The Italian Case"
Maurizio La Rocca - University of Calabria, Italy
Fabiola Montalto - University of Calabria, Italy

Discussant: Maria Joao Jorge - Polytechnic Institute of Leiria, Portugal

This paper examines the relationship between ownership and performance of Italian firms over the period 1980-2009. In particular, given the features of the Italian context, the role of block holders is central and it can influence corporate governance with regards to opportunism, asymmetric information and financial flexibility problems. The results show a positive effect of ownership concentration, and therefore the relevance of the influence of block holders on firm performance. However, this effect is considerably moderated by the role of other factors, jointly at work with ownership; indeed, it is possible to qualify the direction and the magnitude of the relation between ownership and value through the analysis of the moderators.

"Corporate Governance and Hedging: The European Evidence"
Maria Joao Jorge - Polytechnic Institute of Leiria, Portugal
Mario Augusto - University of Coimbra, Portugal

Discussant: Dan Palmon - Rutgers Business School, United States

We present a broad analysis of the characteristics of European firms that engage in hedging, emphasizing the need to control for firms' governance structure. Our main assertion establishes that corporate governance and other financial policies affect the firms' decision to hedge. Yet, we do not discard the fact that these decisions can be simultaneously undertaken. We use anemia's agls estimator to simultaneously assess effects across several variables. Our results support the hypothesis of a positive relationship between country-level corporate governance and hedging and the existence of important interrelationships between firms' hedging, corporate governance, investment and financing policy choices. Specifically, we find that hedging and investment decisions are simultaneously determined. Moreover, we find evidence that the investment level, firm size, firms' tax schedules, risk exposure, and the size and liquidity of financial markets are important factors in hedging decision.

"Say-on-Pay: Is Anybody Listening?"
Dan Palmon - Rutgers Business School, United States
Ephraim Sudit - Rutgers Business School, United States
Stephanie Mason - Rutger's University, United States

Discussant: Hohyun Kim - KAIST, Korea

In the wake of global meltdowns in the financial services and banking industries, say-on-pay (SOP) has been touted as a simple and direct solution to the perceived disconnect between corporate performance and executive compensation. We discuss several arguments that have been raised both for and against sop, present and analyze sop efforts by worldwide companies and legislatures. Furthermore, we describe current efforts by American companies and the us government, relating international lessons to the potential costs and benefits of sop legislation in the united states. We find that sop is not a good solution to the issue of excessive executive compensation, and present an alternative, market-oriented idea for the reader's consideration.

SESSION 11 **Room 3**

BANKS II
Session Chair: Frank Skinner - University of Surrey, United Kingdom

"What Are the Economies of Scale in Wholesale Banking?"
Ronald Anderson - London School of Economics, United Kingdom
Karin Joeveer - Queens University Belfast, United Kingdom

Discussant: Wing-Keung Wong - Hong Kong Baptist University, Hong Kong

Banking sectors have developed in very different ways around the world however, despite this diversity of origins the structure of modern banking sectors is remarkably similar among major countries. Typically there is a small number of very large banks and a large number of medium and small institutions. In this paper we postulate that banking activities create value through the combination of financial capital provided by investors and human capital provided by bankers. Put simply, the technology of banking is to combine money, brains, and effort to produce money. Depending upon the markets where the bank operates and the organization of the bank the value created by the bank will accrue in varying degrees to investors and bankers and that there will typically be a trade-off between these two.

"Banking Firm and Two-Moment Decision Making"

Udo Broll - Technische Universitat Dresden, Germany
Wing-Keung Wong - Hong Kong Baptist University, Hong Kong
Mojia Wu - Technische Universitat Dresden, Germany

Discussant: Christophe Godlewski - University of Haute Alsace & EM Strasbourg Business School, France

The economic environment for financial institutions has become increasingly risky. Hence, these institutions must find ways to manage risk of which one of the most important forms is interest rate risk. In this paper we use the mean-variance (mean-standard deviation) approach to examine a banking firm investing in risky assets and hedging opportunities. The mean-standard deviation framework can be used because our hedging model satisfies a scale and location condition. The focus of this study is on how interest rate risk affects optimal bank investment in the loan and deposit market when derivatives are available. Furthermore we explore the relationship among the first and second degree stochastic dominance efficient sets and the mean variance efficient set.

"Are Bank Loans Still "Special" (Especially During a Crisis)? Empirical Evidence from a European Country"

Christophe Godlewski - University of Haute Alsace & EM Strasbourg Business School, France

Discussant: Taufiq Choudhry - University of Southampton, United Kingdom

We investigate bank loans' specialness with a particular focus on the recent boom and bust cycle. We perform an empirical analysis using event study methodology on a sample of 253 large loan announcements for French borrowers between January 2000 and December 2009. We find a significant and negative reaction to bank loan announcements which is mostly driven by loan provided during the crisis period. We also document significant changes in bank behavior over the boom and bust cycle, with important contractual and organizational modifications reflecting a potential "wake-up call" of banks during the crisis.

"Comparison of Efficiency Characteristics Between the Banking Sectors of US and UK During the Global Financial Crisis of 2007-11"

Taufiq Choudhry - University of Southampton, United Kingdom
Ranadeva Jayasekera - University of Southampton, United Kingdom

Discussant: Karin Joeveer - Queens University Belfast, United Kingdom

This paper investigates the effect of bad or good news (asymmetric effect) on the time-varying beta of firms in the banking industries of the UK and the us during good periods (booms) and bad periods (recessions). Daily data from eleven UK and US firms of different sizes from banking industry are applied in the empirical tests. The data ranges from 2004 to 2011, which includes the global financial crisis of 2007-2011. The time-varying betas are created by mean of the bi-variate bekk arch model and then linear regressions are applied to test for the asymmetric effect of news on the beta. The asymmetric effects are investigated based on both market and non-market shocks. We find that most banks in UK and the us seem to support the market efficiency hypothesis during both periods. The level of market efficiency however seems to decline significantly from the pre-crisis to crisis period. These results shed light on the level of market efficiency and hedging strategies.

FINANCIAL DISTRESS

Session Chair: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

"Building Legal Indexes to Explain Recovery Rates: An Analysis of the French and UK Bankruptcy Codes"

Regis Blazy - University of Strasbourg, France
Bertrand Chopard - University of Paris, France
Nirjhar Nigam - ESSEC Business School, France

Discussant: Zvika Afik - Ben-Gurion University, Israel

We test the characteristics of bankruptcy procedures that are likely to generate recoveries for the creditors. We consider 2 countries that are good representatives of the 2 main legal systems in Europe: France and UK we build 132 legal indexes accounting for the main functions of bankruptcy that were highlighted by Hart (2000): accessibility of the procedure, its ability to disclose information, the level of assets' protection, coordination of claimants, decision power, and sanction of faulty management. We then use a database of 833 French and UK bankrupt smes to measure recovery rates. By controlling for the assets' value, the structure of claims and the origins of default, we isolate the bankruptcy rules that are associated to higher recoveries: namely, accessibility of the procedure, protection of the debtor's assets, protection and coordination of claims. At the opposite, information disclosure has negative impact on recoveries, probably due to the breach in confidentiality.

"Using Merton Model: An Empirical Assessment of Alternatives"

Zvika Afik - Ben-Gurion University, Israel
Ohad Arad - Ben-Gurion University, Israel
Koresh Galil - Ben-Gurion University, Israel

Discussant: Ranadeva Jayasekera - University of Southampton, United Kingdom

Merton (1974) suggested a structural model which allows using timely information from the equity market for default prediction. Application of this model is not straightforward and several alternatives exist for the specification of the model. Academic literature has adopted methods presumably used by practitioners. However, recent studies discovered that these methods result in inferior estimates. We empirically examine several specification alternatives and discover that the prediction goodness is only slightly sensitive to different choices of the default barrier. The choice of assets expected return and assets volatility appears to be crucial. Historical return and volatility of equity produce under-biased estimates for assets expected return and assets volatility especially for defaulting firms. Acknowledging these problems we suggest alternative specifications that improve the model's accuracy.

"Analysis of the Role of General Electric in the US Airline Industry; A Possible Capital Market Mutation in Response to the Anomalies of Chapter 11?"

Ranadeva Jayasekera - University of Southampton, United Kingdom
Geoff Meeks - University of Cambridge, United Kingdom

Discussant: Stylianos Perrakis - Concordia University, Canada

The paper analyses four influences on companies' likelihood of failure: the macroeconomic environment, the legal framework, the relative bargaining power of major creditors, and capital structure. It draws together corporate finance, financial accounting and law. And it focuses primarily on the us airline industry, motivated by the puzzle that, on some estimates, this industry has made zero cumulative profit taking the years of the last century together, and the further puzzle that in recent years, liquidation in the industry has become rare. Two developments are identified in the us which could have changed the

process of business failure in the airline industry: the evolution of the us bankruptcy code, and the development of a powerful financial intermediary, general electric (ge), which intervened in cases of financial distress. These interlinked developments are analyzed using a game theoretic framework through a case study of GEs aircraft leasing operation.

"Optimal Capital Structure, Endogenous Bankruptcy and Corporate Debt Valuation under State-Dependent Volatility and Jump Process Asset Dynamics"
Stylianos Perrakis - Concordia University, Canada
Rui Zhong - Concordia University, Canada

Discussant: Regis Blazy - University of Strasbourg, France

We generalize the asset dynamics assumptions of Leland (1994b) and Leland and Toft (1996) to a much richer class of models. We obtain analytical solutions with state dependent diffusion volatility following the constant elasticity of variance (CEV) process for all variables of interest. We develop an efficient numerical algorithm with mixed jump diffusion asset dynamics, by adopting a restricted set of default times, and derive numerical solutions for several of these variables. We study the impact of state dependent volatility and jumps on the optimal capital structure, the debt capacity, the term structure of credit spread, the duration and convexity of risky debt, the equity volatility and the cumulative default probabilities (CDP). We also find that the term structure of implied volatility generated by the mixed cev diffusion and jump process could explain the cumulative default probability (CDP) puzzle of structural models for short term debt.

SESSION 13 **Room 5**

FINANCIAL CRISIS II
Session Chair: Stefan Trueck - Macquarie University, Australia

"Foreign Debt Holders and Sovereign CDs Speculation"
Antonio Diaz - Universidad Castilla - La Mancha, Spain
Jonatan Groba - University Carlos III, Spain
Pedro Serrano - University Carlos III, Spain

Discussant: Burkhard Raunig - Oesterreichische Nationalbank, Austria

We analyze the impact and importance of the speculation in the cds market. We adapt the liquidity asset pricing model of Bongaerts et al. (2011). We think that the speculative behavior in the sovereign CDS market appears when foreign short-term investors are very aggressive protection buyers with no positions in sovereign debt. The empirical evidence shows that part of cds spikes are due to speculation and not to cds fundamentals (default risk, counterparty risk, lack of liquidity). We find empirically that countries with high foreign debt holdings show higher cds compensation, probably because foreign investors are exposed to repudiation risk (higher default probability than domestic holders). We also find empirically that countries with low foreign debt holdings and high trading activity (low transaction costs) have higher CDS spreads, because they are more exposed to the speculative behavior.

"The Credit Risk of Banks and Non-Banks During the Crisis: Evidence from the CDs Market"
Burkhard Raunig - Oesterreichische Nationalbank, Austria

Discussant: Mehmet Civan - The University of Gaziantep, Turkey

Using three alternative decompositions of the credit default swap premium this study examines how investors judge the credit risk of banks and non-banks before, during, and after the financial crisis of 2007-2009. The empirical findings, based on a sample of 213 major us and European firms, suggest that investors clearly distinguish between both types of firms. Investors appear in general to be more concerned about bank defaults, and even more so since the end of the crisis. However, investors attach a low loss given default (lgd) to banks in normal times. During the crisis the estimated lgd's increase markedly and the difference in the lgd between both types of firms becomes statistically insignificant. However, the estimated lgd for banks does usually not exceed the estimated lgd for non-banks.

"The Effects of Credit Management to Profitability in Crisis Periods"
Mehmet Civan - The University of Gaziantep, Turkey
Burcu Buyuran - University of Gaziantep, Turkey

Discussant: Nojoud Habash - Birzeit University, Palestinian Territory

In a globalizing world, crisis periods are the most distressed periods for businesses. As a result of minor fluctuations in the developing economy of the world, globalization also affects other countries. In this interaction, emerging crises in economies affects economies itself and affects its lifeblood businesses in terms of both financial activities and the continuity of operations. The most fundamental problems in these periods are un-payable debts and uncollectible receivables. In this context, the main purpose of our work, which has become very important in times of crisis, will be measuring the effectiveness of the credit management and to examine its effect on profitability. For this purpose,15 companies in the manufacturing sector ,operating in the Istanbul stock exchange will be chosen. Their financial data analysis, between years 2001-2010, will be realized and the results will be financially evaluated.

"The Contagion Effect of the Global Financial Crisis: The Case of the Middle East Stock Markets"
Nojoud Habash - Birzeit University, Palestinian Territory
Bashar Abu Zarour - Palestine Capital Market Authority (PCMA), Palestinian Territory

Discussant: Antonio Diaz - Universidad Castilla - La Mancha, Spain

This paper aims to explain the sharp decline that hits financial markets in the middle east (me)region resulted from the global financial crisis. Using structural vector autoregressive and vector autoregressive models we find that the dynamic relationship between me stock markets and international markets is weak and unable to explain the stunning decline of these markets because of the mentioned crisis. The investigation is conducted using daily data of general indices for markets under examination from 1/1/2008-31 /12/2009.Both results of the mentioned systems and structural impulse response functions reveal that local factors dominate the me markets and play significant role in the reaction of these markets to the mentioned crisis and that they aren't integrated with international markets even on the short term. Finally a set of recommendations presented for policy makers and regulators in the me countries which is expected to lead to development and protection from sharp fluctuation

SESSION 14 **Room 6**

VOLATILITY II
Session Chair: Ramazan Aktas - TOBB University of Economics and Technology, Turkey

"Comparison of Currency Co-Movement Before and During the Global Financial Crisis"
Anastasios Malliaris - Loyola University Chicago, United States
Mary Malliaris - Loyola University Chicago, United States

Discussant: Maria Schutte - Michigan Tech University, United States

This paper considers foreign currency markets and discusses how currencies can be used as investment, hedging and speculative instruments. These three financial activities take place because certain fundamentals relationships exist between and among currencies that persist despite the surrounding uncertainty. To uncover such relationships and to examine their robustness over time and across various currencies, apriority association analysis is performed on two sets of data, prior to the September 2008 financial crisis and after. This paper focuses specifically on the directional movement of eight major currencies in these two time periods and investigates whether there are any apriority rules common to both periods. We then look at the performance of several of these rules in each time period, on both training and validation sets.

"Stock Return Co-Movement in the New Millennium"
Maria Schutte - Michigan Tech University, United States

Discussant: Doug Blackburn - Fordham University, United States

Long run dynamics in stock return co-movement, its causes and consequences, is a hotly debated topic in financial economics. Average return correlation, or co-movement, is an important indicator of the benefits from diversification and price informativeness. I study the long-run trend of us co-movement during the period 1926-2009 and find a clear break in the series around 1997. After this date, the negative trend previously documented for most of the 20th century reverts to strongly positive. I also find that (1) market and industry volatilities have gained importance since the break, (2) evidence of similar breaks in international markets, (3) fundamentals-driven explanations cannot explain the break. I hypothesize that increasing co-movement in the new millennium is the result of correlated trading, caused by technical change in the financial sector.

"Is World Stock Market Co-Movement Changing?"
Doug Blackburn - Fordham University, United States
N. K. Chidambaran - Fordham University, United States

Discussant: George Milunovich - Macquarie University, Australia

We examine world stock market co-movement for 23 countries over a 30-year period that includes a period of major changes in international trade institutions, capital market regulations, and the advent of the internet era. Our analysis is based on a generalized factor model that allows for country, regional, and world factors. We show that the world value-weighted portfolio return leads to biased results because it overweight's the co-movement of returns among stocks and countries with large capitalizations. We develop a new methodology, the weighted-generalized canonical correlation (w-gecko) method, to identify the presence of a world factor that explains variation in the stock price movements across all countries. We find that stock price comovements are stable through the mid 1990s and then begins increasing through 2010. Using china a and china b shares, we show that co-movement is likely driven by investment cash flows.

"Phase Dating and Contagion in the Global Financial Crisis: A Smooth Transition Structural GARCH Approach"
Mardi Dungey - University of Tasmania, Australia
George Milunovich - Macquarie University, Australia
Susan Thorp - University of Technology, Australia
Minxian Yang - University of New South Wales, Australia

Discussant: Mary Malliaris - Loyola University Chicago, United States

We map changes in the transmission of unobservable structural shocks between us financial asset markets during the 2007-2009 crisis. By developing a new smooth transition structural arch model, we endogenously detect simultaneous structural shifts in the relationships between three asset classes, which themselves may be endogenously determined. We apply our model to investigate breaks in the relationships between S&P500, treasury bonds, and REITs over 7 June 2001 - 16 September 2010. Several breaks are detected, all of which are dated to be within the subprime crisis time frame. There are significant changes in the links between S&P500 and refit returns, but the links with t-bonds become insignificant in the first phase of the crisis and remain so through the second phase and recovery.

DERIVATIVE MARKETS II
Session Chair: Meher Manzur - Curtin University, Australia

"Can the Incorporation of the Stochastic Interest Rate Explain the Equity Option's Volatility Smile?"
Yi Cheng - University of Augsburg, Germany
Andreas Rathgeber - University Hall/Tyrol, Austria
Stefan Stockl - University of Augsburg, Germany

Discussant: Gautam Goswami - Fordham University, United States

Can the introduction of stochastic interest rates produce a systematic deviation, which can be interpreted as smile? From the results of previous researches it can be concluded that the incorporation of stochastic interest rates can improve the long-term option pricing. Including stochastic interest rates will improve option pricing in general. But may it also produce a systematic deviation, which can be interpreted as a smile? According to Bakshi, Cao and Chin (1997) the answer is no in the case of zero correlation. Due to the singular effect of the interest rates on the mean of the martingale measure this is not astonishing. Does this result still hold, when non-zero correlations come into play to answer this question we combined a one factor heath-jarrow-morton-model with stock price model to price equity options. All in all, the new finding is that the shape of the interest rate also has a significant influence, whereas other factors do not have a significant influence.

"Equity Options Market and the Flash Crash of 2010"
Nusret Cakici - Fordham University, United States
Gautam Goswami - Fordham University, United States
Sinan Tan - Fordham University, United States

Discussant: Dong Zhang - Stockholm University, Sweden

On may 6th 2010 at 2.45 pm (CST), most stock prices fell to a their daily low and dija went down by 10.2% in 15 minutes of trading. However, the price of all three indices recovered after 15 minutes to the end of the day. But this sudden drop in djia price became the highest one day point decline on an intraday basis in djia history and aptly termed as (2010) flash crash. In this paper, we investigate the effects of flash crash on the equity options market using a minute by minute analysis of equity options of the constituents of S&P500 index, S&P100 index and options on all other stocks in opra. We would also like to estimate the effect of such liquidity crisis on option market through put-call parity violations. Since we expect a large spike in volatility, we would like to estimate nature of such spike using implied volatilities estimated from equity option prices and test whether there is any permanent component to this shock.

"Effects of the Introduction of Stock Index Futures on the Underlying Stocks: The Role of FuturesMarket Makers"
Lars Norden - Stockholm University, Sweden
Dong Zhang - Stockholm University, Sweden

Discussant: Stefan Stockl - University of Augsburg, Germany

We investigate market reactions for set 50 index stocks following the listing of set 50 index futures. Distinguishing ourselves from previous studies, we focus not only on the effects from the introduction event but we also take futures market developments into account; most notably the impact from the decision allowing market makers to provide liquidity at the futures market five months after the introduction. We examine the influences of the separate events of introduction of index futures and futures market makers on stock market liquidity, trading activity and volatility using intraday data, and a vector auto-regression (VaR) model to capture the endogeneity and interdependencies among the stock market characteristics. Our findings indicate lower liquidity and less trading activity in the index stocks following the futures introduction. Moreover, after the introduction of futures market makers, the index stocks again become more actively traded, more liquid, but more volatile.

SESSION 16 **Room 8**

CAPITAL STRUCTURE II

Session Chair: Raul Susmel - University of Houston, United States

"Low Leverage Policy: Evidence from Italian Firms"

F. Javier Sanchez-Vidal - Universidad Politecnica De Cartagena, Spain
Juan-Francisco Martin-Ugedo - University of Murcia, Spain
Marco Bigelli - University of Bologna, Italy

Discussant: Yilmaz Guney - University of Hull, United Kingdom

The aim of this paper is to analyze the factors motivating firms to follow a low-leverage financial policy over two consecutive years. We carry out the study on a sample of 65,383 Italian firms for the 2004-2006 period. Using different difference of means analyses and logit regressions, we test the influence of several variables related to the trade-off model, the existence of information asymmetry and the pecking order model. Our findings show that under-leveraged firms have a capital structure determined by the cash flows generated and the capital budgeting decisions, in accordance with the pecking order theory. The information asymmetries variables show the right sign. Thus, this problem is probably the cause of the pecking order behavior that drives to an underleveraged financial policy. The results are mainly contrary to the trade-off model.

"Capital Structure and Market Timing in the UK: Deviation from Target Leverage and Security Issue Choice"

Yilmaz Guney - University of Hull, United Kingdom
Hafezali Iqbal-Hussain - University of Northumbria, United Kingdom

Discussant: Unyong Pyo - Brock University, Canada

This paper examines the timing behavior of firms in the UK. We estimate intrinsic value of firms' equities and find that managers do indeed a time security issue which leads them to deviate away from target leverage levels. We further find that equity mispricing influences issue decisions as well as the issue choice. Equity mispricing increases the likelihood of firms making security issues. In addition, undervaluation increases the probability of firms opting for debt issues instead of equity. Firms also reduce equity and debt levels to reflect equity mispricing indicating that repurchase decisions are also timed. In addition, we find that firms are more like to issue debt accompanied with equity repurchases due to equity undervaluation and equity issues are supplemented with debt repurchases due to equity overvaluation.

"Reducing Agency Conflicts with Target Debt Ratios"

Unyong Pyo - Brock University, Canada
Yong Jae Shin - Soong-Eui Women’s College, South Korea
Howard Thompson - University of Wisconsin-Madison, United States

Discussant: Ian Glew - Memorial University, Canada

We show how target debt ratios in book value terms applied to new investment can improve alignment of investment incentives in firms with risky debt outstanding and asymmetric information. While wealth

transfer from both agency conflicts can reduce the value of existing equity, new debt offsets the value loss to old shareholders. When an initial target book debt ratio is preserved following the investment, new debt set by the target debt ratio naturally reflects key factors such as the npv and size of the new project and offsets wealth transfers. Numerical examples show that both agency conflicts can be eliminated both in structural models and in binomial models.

"Tax Recovery from Income Trusts in Canada"
Ian Glew - Memorial University, Canada

Discussant: F. Javier Sanchez-Vidal - Universidad Politecnica De Cartagena, Spain

The final chapter of the income trust saga has played out as a result of legislation that levied a tax on 'non-portfolio earnings' of the newly defined sift organization. The immediate effect was a drop in market valuation, followed by private purchases in 2007-2008, and eventually, conversion of the remaining sector participants by the end of 2010. The number of income trusts dropped from 264 to 61 in five years. The net tax revenue to government is estimated at $734 million annually, with $234 million collected from foreign investors. Subject to the limitations of the study based on the timing of most conversions, the tax legislation seems to be a 'fair' proposition, though it was costly at the time of announcement.

LUNCHEON

12:15-1:45 p.m. Magnolia & Azalia

SESSION 17 **Room 1**

PORTFOLIO MANAGEMENT III
Session Chair: Lorne Switzer - Concordia University, Canada

"Can Exchange Rate Models Outperform the Random Walk? Magnitude, Direction and Profitability as Criteria"
Imad Moosa - RMIT University, Australia
Kelly Burns - RMIT University, Australia

Discussant: Ines Chaieb - University of Geneva, Switzerland

While many explanations have been put forward for the failure of exchange rate models to outperform the random walk in out-of-sample forecasting, a simple explanation is the use of measures of forecasting accuracy that depend entirely on the magnitude of the forecasting error. By using simulated data representing the forecasts of eight models it is demonstrated that the random walk can be outperformed if forecasting power is judged by measures of direction accuracy, by adjusting the root mean square error to take into account direction accuracy, and by using the risk-adjusted return obtained from a trading strategy based on the forecasts.

"In Search of Optimal Number of Bond Funds"
Pat Polwitoon - Susquehanna University, United States
Oranee Tawatnuntachai - Penn State University at Harrisburg, United States

Discussant: Victoria Dobrynskaya - London School of Economics, United Kingdom

Although bonds are less volatile than equities and the median number of bonds held by bond funds is about 200, bond investors still need more than one bond fund to be protected from the idiosyncratic risk. The simulation results show that holding three to five bond funds reduces standard deviation of terminal wealth by 50% and holding 100 funds reduces the standard deviation by 90%. Given the annualized marginal cost of 0.13% for an additional bond fund, bond investors should hold three to five funds. However, equity investors who want to diversify need only one to two bond funds, regardless of risk measures. The portfolios mixed with government and corporate bond funds require even fewer funds than the portfolios mixed with high yield bond funds. These results are robust to different investment strategies and time periods and not subject to survivorship bias. These findings can be generalized to portfolios with other asset mixes.

"Downside Risk of Carry Trades"
Victoria Dobrynskaya - London School of Economics, United Kingdom

Discussant: Imad Moosa - RMIT University, Australia

Carry trades consistently generate high excess returns with high sharpe ratios, but are subject to crash risk. Moreover, the crashes happen in the worst states of the world, when the stock market goes down and the marginal utility is high. High-interest currencies have high downside market beta and low (negative) coskewness with the stock market, while low-interest currencies can serve as a hedging instrument. Three-moment CAPM with upside and downside betas explains the cross section of currency returns much better than the standard camp. Downside beta premium in the currency market is comparable to that in the stock market.

EXECUTIVE COMPENSATION
Session Chair: Zeynep Onder - Bilkent University, Turkey

"Employee Stock Options and Corporate Innovation"
Xin Chang - Nanyang Technological University, Singapore
Kangkang Fu - Nanyang Technological University, Singapore
Angie Low - Nanyang Technological University, Singapore
Wenrui Zhang - Nanyang Technological University, Singapore

Discussant: Yaron Amzaleg - Peres Academic Center, Israel

We examine whether employee stock options motivate employees to contribute to corporate innovation. Our analysis shows that the innovation output in a firm measured by the numbers of total patents applied, total citations of the patents, and citations per patent significantly increases with the non-executive stock options per employee. We also show that the enhancement of corporate innovation productivity is mainly from an increase in employees' risk-taking incentives (vega) rather than employees' interest-alignment incentives (delta). Taken together, these findings suggest that employee stock options enhance employees' risk-taking incentives and failure-bearing capacities in a firm's high risk-profile innovative activities, leading to a significant improvement in the productivity of corporate innovation.

"CEO Control, Corporate Performance and Pay-Performance Sensitivity"
Yaron Amzaleg - Peres Academic Center, Israel
Ofer Azar - Ben-Gurion University of the Negev, Israel
Uri Ben-Zion - Western Galilee College, Israel
Ahron Rosenfeld - Ben-Gurion University of the Negev, Israel

Discussant: Chih-Liang Liu - Department of Finance, Taiwan

Agency theory suggests that high pay-performance sensitivity of compensation is an important motivation mechanism to the COO to improve corporate performance. We develop a simple model that suggests that reverse causality should also be considered. Specifically, our model predicts that when good performance is expected, a powerful coo will push for a contract with higher pay-performance sensitivity. Data from 135 Israeli companies over a five-year period confirm the model's main prediction. Our empirical analysis shows that when the coo is the chairman of the board of directors and thus is more powerful in affecting his compensation scheme, he achieves a high sensitivity of payment to performance in good periods (in terms of corporate performance), compared to similar powerful COOs in periods of bad performance, and also compared to less powerful COOs in good periods.

"Director Compensation and Risk-Taking: Excessive Compensation and Incentive Structure Perspectives"
Chih-Liang Liu - National Yunlin University of Science and Technology, Taiwan
Shiou-Ying Lee - Technology and Science Institute of Northern Taiwan, Taiwan

Discussant: Gueorgui Kolev - EDHEC Business School, France

There are two competing arguments on the incentive-risk relationship for director compensation. Monitoring hypothesis indicates the director incentives for reducing managerial expropriation, whilst risk shifting hypothesis refers to the self-interest pursuing directors. This research examines the relationship between director compensation and bank risk taking behaviors. Since directors are also faced with agency problem from inappropriate incentives, both of the excessive director compensation and the incentive structures including equity-based bonus, pension plans, and deferred compensation are included for examination. It is expected to identify whether and how director compensation results in risk taking

behaviors in financial institutions.

"Illusory Correlation in the Remuneration of Chief Executive Officers: It Pays to Play Golf, and Well"

Gueorgui Kolev - EDHEC Business School, France
Robin Hogarth - ICREA and Universitat Pompeu Fabra, Spain

Discussant: Xin Chang - Nanyang Technological University, Singapore

We examine the relations between golf handicaps of coos, corporate performance, and coo compensation. We find that golfers earn more than non-golfers and pay increases with golfing ability. Furthermore golfers perform worse than non-golfers, performance decreases with golfing ability, and when low-ability golfers are appointed as coos, there are positive stock price reactions. To overcome illusory correlation, i.e., the use of information in coo compensation decisions that is irrelevant or, worse, inversely related to shareholders' value maximization, we recommend using explicit, mechanical decision rules to ensure a transparent process.

SESSION 19 **Room 3**

BANKS III

Session Chair: Giorgio Di Giorgio - LUISS Guido Carli University, Italy

"Contingent Capital Securities: Problems and Solutions"

Michalis Ioannides - BNP Paribas, United Kingdom
Frank Skinner - University of Surrey, United Kingdom

Discussant: Ali Termos - American University of Beirut, Lebanon

We discuss the current funding practice of banks, looking at the typical capital structure of banks, examining where cocos will likely fit within this structure and giving examples of recently issued cocos. We explore the key design choices of bank cocos analyzing the potential problems that each present. Based on this analysis we find that existing practice is not ideal. Lloyds, rabobank and credit Suisse have all issued cocos with a backward looking accounting based trigger whereas we recommend a forward looking market based trigger because a market based trigger is more likely to detect an evolving crisis. Moreover, we suggest that the market based trigger be based on a trailing average of the bank's stock price to reduce the likelihood of stock market manipulation by shareholders and by coco holders alike. We also favor a conversion mechanism that relates the trigger price to the conversion price as this will reduce the uncertainty for coco holders and shareholders alike.

"Loan Securitization as a Liquidity Creation Mechanism: New Evidence"

Mohsen Saad - American University of Sharjah (UAE), United Arab Emirates
Ali Termos - American University of Beirut, Lebanon

Discussant: Joerg Prokop - University of Oldenburg, Germany

We investigate the transmission mechanism of monetary policy through the bank lending channel while distinguishing between loan-portfolio liquidity and liquid securities holding as liquidity-creation mechanisms at the bank level. Banks are decomposed into globally-oriented versus domestic, highly securitizable versus lowly, and small versus large. Using the call reports data of the federal reserve system, we demonstrate that banks with high level of securitization of their assets and banks that are globally-oriented i.e., banks with higher level of foreign assets, are less responsive to monetary policy shifts. However, global banks rely more on their holding of traditional liquid funds rather than securitizable loans in insulating their lending growth from monetary policy shocks. We examine the various levels of assets securitization that make banks less susceptible to monetary policy shifts or thereof more impervious to such shifts in light of these two liquidity management mechanism.

"Announcement Effects of Credit Securitization: The Case of Liquidity Facility Providers"
Hilke Hollander - University of Oldenburg, Germany
Joerg Prokop - University of Oldenburg, Germany

Discussant: Piotr Danisewicz - Bangor University, United Kingdom

Based on a sample of 97 European securitization transactions undertaken between 2002 and 2010, we show that abnormal returns occur around the announcement date for banks providing liquidity to facilitate such a transaction. Abnormal returns are positively related to the respective bank's size and liquidity, they tend to be negative for transactions involving cmbs or subprime rmbs portfolios, and they vary with the general market situation at the time of the transaction.

"Enforcement Actions, Banks' Liquidity Creation and Regional Economic Growth"
Piotr Danisewicz - Bangor University, United Kingdom

Discussant: Frank Skinner - University of Surrey, United Kingdom

Policies aiming at ensuring safety and soundness of financial system in the US enabled federal supervisory agencies to impose enforcement actions on financial institutions not complying with regulations. Recent research highlights that such interventions may induce significant negative effects on banks' liquidity creation (Berger et al. 2011a) and lending provision to the real sector (peek and rosengren, 1995a, 1995b, 1996). Using data on the entire sample of banks operating in the U.S.. And enforcement actions issued by the fdic, the fed, and the occ between 1998 and 2009 this study intends to examine the impact of these interventions on economic growth on the county level. To identify the effect, I exclude spillover effects across counties and include in this analysis only actions against banks operating exclusively in single markets, defined as counties.

SESSION 20 **Room 4**

ACCOUNTING ISSUES I
Session Chair: Amir Rubin - Simon Fraser University, Canada

"Investor's Reaction to Changes in Management Earnings Forecasts: The Impact of Investor Sentiment and Gender"
Maria Strydom - Monash University, Australia
John Watson - Monash University, Australia
Barry Cooper - Monash University, Australia

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

Belief perseverance and affect theory suggest mood and gender differences influence the way in which investors react to retractions and corrections of management earnings forecasts. In this paper we show that this is not the case for individual investors and that their judgments do not adjust correctly to retractions and corrections of previously disclosed information. Additionally we show that mood and gender plays a significant role in how this category of investor adjusts to such announcements. We specifically document that whilst belief perseverance is prevalent for retractions of earnings forecasts, this is so only for investors in a negative affective state and for males in general.

"An Examination of IAS 36 Asset Impairments in Europe"
Alessandro Ala - Durham University, United Kingdom
Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Ilanit Gavious - Ben-Gurion University, Israel

This study contrasts the determinants of asset impairments reported before and after the issuance of IAS-36. Empirical findings reveal a weaker association between asset impairments, either goodwill, or intangible, or tangible, with economic factors after the adoption of ias-36. Furthermore, the results indicate that after the adoption of ias-36 managerial reporting incentives play a lower role in explaining tangible asset impairments, but play a substantially larger role in explaining discretionary asset impairments such as goodwill or intangible asset impairments. Finally, the results show a weaker association between asset impairments and country-specific factors after the adoption of ias-36. Overall, the evidence is consistent with the view that ias-36 has not entailed accounting-practice improvement even though it has increased the harmonization of impairment practice across countries.

"The Relationship Between the Management of Book Income and Taxable Income: An Empirical Analysis of Private Versus Public Firms"
Ilanit Gavious - Ben-Gurion University, Israel
Ester Stanovsky - Ben-Gurion University, Israel
Rami Yosef - Ben-Gurion University, Israel

Discussant: Mohamed Khalil - The University of Hull, United Kingdom

Our research investigates financial and tax reporting manipulations in private vs. public firms. Using non-public information of Israeli firms that engaged in tax avoidance activity, we find evidence that taxable income management is not related to book income management for both private and public firms. While our sample firms understated earnings for tax purposes, they did not overstate book earnings. Given Israel's unique 'intermediate' level of book-tax conformity, a practical implication of the findings is in shedding light on the question of the need for a transition from nonconformity into full alignment in countries with large book-tax gaps (such as the US). Our results showing that tax avoiding firms in Israel, public and private, avoid book income management even if areas of book-tax nonconformity allow them to do so imply that a diminution in the divergence between tax and accounting rules may suffice to reduce managers' opportunistic (reporting) behavior.

"Board Composition, Audit Quality and Earnings Management in Emerging Markets: The Case of Egypt"
Mohamed Khalil - The University of Hull, United Kingdom
Aydin Ozkan - The University of Hull, United Kingdom

Discussant: Barry Cooper - Monash University, Australia

This study explores the monitoring and disciplining roles of board composition and audit quality mechanisms in constraining earnings management in emerging countries. The results lend support to the notion that adding non-executive members to the board or its audit committee per se may not be enough to constrain opportunistic earnings management adequately. The results also indicate that high quality auditors are more likely to detect aggressive earnings management and report material misreporting. The results also show that the potential effects of corporate governance mechanisms are not isolated and act differently at higher levels of managerial and large shareholdings

FINANCIAL CRISIS III

Session Chair: Tom Nohel - Loyola University, United States

"Government Interventions: Restoring or Destructing Financial Stability in the Long-Run?"

Aneta Hryckiewicz - Kozminski University, Poland

Discussant: Adam Banai - Magyar Nemzeti Bank, Hungary

Recent government interventions in the banking sector has raised a considerable controversy among the academicians, politicians and policymakers. One of the reasons is an increasing concern about long-run effects of government banks' bailouts. This paper investigates the effect of the various bailout strategies on long-term banking sector stability. Investigating the behavior of bailed banks versus non-bailed competitors it also identifies the sources of these effects. Our results show that government interventions destabilize banking sectors in the long-run. Especially, public guarantees, nationalization of private institutions as well as creation of asset management companies (AMCs) (also so-called "the troubled asset relief funds" or "bad banks") increase the risk-taking of bailed institutions several years afterwards. We show that these effects are related to lack of appropriate restructuring changes.

"Home High above and Home Deep Down Below: Lending in Hungary"

Adam Banai - Magyar Nemzeti Bank, Hungary
Julia Kiraly - Magyar Nemzeti Bank, Hungary
Marton Nagy - Magyar Nemzeti Bank, Hungary

Discussant: Mona Soufian - Northumbria University, United Kingdom

In Hungary in the pre-crisis period the bank sector initiated private credit boom significantly contributed to the accumulation of economic imbalances. Nevertheless, before the 2008 crisis no special regulatory measure was taken to mitigate the FX lending to un-hedged borrowers, which was one of the main moving force of the credit boom. Depreciation of the huf and the increased risk premium significantly deteriorated the customers' positions and resulted rocketing npl-s. Recession, deteriorating portfolios, lack of efficient workout and the introduced strict regulation did freeze banking activity and the danger of recovery without lending did emerge. The paper compares the pre- and post-crisis lending activity and analyze both the lack of regulation in the pre-crisis and the inefficient regulation in the post-crisis period.

"Adapting Financial Rationality: Is a New Paradigm Emerging?"

Mona Soufian - Northumbria University, United Kingdom
William Forbes - Loughborough University, United Kingdom
Robert Hudson - Newcastle University, United Kingdom

Discussant: Aneta Hryckiewicz - Kozminski University, Poland

We discuss the implications of the alternative to the efficient market hypothesis (EMH) the adaptive market hypothesis (AMH). The amh may give a theoretical basis for a new financial paradigm which can better model reality and such phenomena as the recent financial crisis. The AMH regards the financial market order as evolving, tentative and defined by a process of creative destruction in which trading strategies are introduced, mutate to survive or face rejection. The concept of investor rationality is less helpful than the distinction between investment strategies which are well adapted to the market environment in which they are deployed. But in this survival of richest, as opposed to fittest, there is much room for misallocation of resources as price and value uncouple. In this evolution of the financial market order the state features as one further market in which the vote market verifies and disrupts settled market conditions.

CREDIT RISK I

Session Chair: Anastasios Malliaris - Loyola University Chicago, United States

"Sovereign Credit Default Swaps and the Arab Uprising"

Nizar Atrissi - Universite Saint-Joseph, Lebanon
Maya Akoum - Universite Saint-Joseph, Lebanon

Discussant: Oksana Pryshchepa - Lancaster University, United Kingdom

The purpose of this paper is to highlight the impact of the Arab uprising on the various determinants of the sovereign credit default swap (CDS) spreads. In the midst of the Arab spring, other variables than the theoretically and empirically tested variables take importance. Indicators directly related to the revolutions intensities have been introduced and empirically tested and namely the number of demonstrators and the number of casualties (deaths and injuries). These variables provide pertinent explanation of cds spreads evolution as compared to other economic and fundamental determinants.

"Not All Distressed Firms Can Risk-Shift: The Impact of Financial Constraints on Investment Policy"

Oksana Pryshchepa - Lancaster University, United Kingdom
Kevin Aretz - The University of Manchester, United Kingdom
Shantanu Banerjee - Lancaster University, United Kingdom

Discussant: Guido Mantovani - CA Foscari Unversity, Italy

Although finance theory dictates that distressed firms have incentives to engage in risk-shifting, empirical evidence documenting such behavior is very sparse. In this article, we argue that the weak empirical evidence may be attributable to the fact that distressed firms often lack internal funds to invest, and that capital providers are often unwilling to provide them with new capital if they have correctly identified the firm as distressed. As a result, it might only be distressed firms managing to conceal their financial problems that are able to engage in risk-shifting behavior. Using bankruptcy filings as a measure of true economic distress and Altman's (1968) z-score as a measure of economic distress perceived by the market, we find strong evidence supporting our main hypothesis.

"Asset-Backed vs. Competence-Driven Leverage: The Next Entrepreneurial Finance Challenge"

Guido Mantovani - Ca Foscari Unversity, Italy

Discussant: Hermann Elendner - Vienna Graduate School of Finance, Austria

We demonstrate that the capital structures of small business is mainly driven by asset-backed concept, particularly by the most liquid part of them, i.e., the operating working capital. Return-to-risk analysis is very less relevant because of its misrepresentation in standard financial reporting system, while long term persistence of optimal return-to-risk ratios is important only for equity funders, i.e. Competence value contributors. In the case of the very competitive Treviso's district in the north-eastern Italy this context produces a very low-selective financial system. Banks are the main funders of smes but their credit allowances seems to flow only to huge-working capital and short term (low-)performers companies: actually a factoring service. In this financial context any allocative selection of corporation to be funded seems to be impossible, reducing both market efficiency along with their completeness through long term growth ratio and entrepreneurial finance development.

"Rating-Induced Default Risk and Downgrade Hesitation"
Hermann Elendner - Vienna Graduate School of Finance, Austria

Discussant: Nizar Atrissi - Universite Saint-Joseph, Lebanon

Credit ratings should reflect credit risk. Mounting evidence implies they also impact credit risk. As strategic agencies will take this into account, I build a model to show how this feedback effect incentivizes raters to postpone or omit downgrades which they know would be warranted. If agencies succumb to the conflict of interest, they will optimally hesitate to announce a strictly positive fraction of merited announcements as to restrict self-inflicted fee losses, irrespective of how large reputation costs loom. To devise a test design, I derive empirical predictions and critical conditions: it is shown that the probability of agencies concealing downgrades is increasing with obligors' proximity to default and their reliance on external financing, while it decreases in distance to the default boundary and subsequent to crises due to higher reputation costs.

SESSION 23 **Room 7**

FINANCIAL ENGINEERING
Session Chair: Dariusz Zarzecki - University of Szczecin, Poland

"Valuation of Volatility Risk Management Products"
Lung-Fu Chang - National Taipei College of Business, Taiwan
Jia-Hau Guo - National Chiao Tung University, Taiwan
Mao-Wei Hung - National Taiwan University, Taiwan

Discussant: Claire Matthews - Massey University, New Zealand

Volatility risk has attracted the spotlight in the recent past. Brenner, our, and Zhang (2006) propose a new financial innovation, an option on a forward-start straddle, which can be used to manage volatility risk and apply a specific framework to illustrate the properties of the volatility instrument. The purpose of this paper is to develop the general framework, including stochastic volatility and jump processes, for pricing and hedging the volatility instrument. To demonstrate the accuracy of our proposed method, we use numerical examples to compare the values of the straddle option from our proposed method with the benchmark values from the Monte Carlo simulation method. Our numerical results show that this volatility instrument is a useful product to hedge volatility risk.

"Kiwisaver: Consumer Choices"
Claire Matthews - Massey University, New Zealand

Discussant: Gordon Alexander - University of Minnesota, United States

Kiwisaver is a central government initiated and supported retirement savings scheme launched in New Zealand in 2007. With nearly half of the country's population having subsequently joined the scheme, many of whom had no prior retirements savings, this study seeks to understand the choices made. The data is from an on-line survey of 1000 New Zealanders commissioned for this study and conducted in mid-2011. The key findings include evidence of a lack of real analysis of the options available with the choice of provider and fund driven by convenience, as well as a reluctance of use financial advisers, and a lack of knowledge about their membership.

"How Informed Are Predictive and Reactive Short Sellers about Earnings Announcements?"
Gordon Alexander - University of Minnesota, United States
Mark Peterson - Southern Illinois University, United States
Xiaoxin Wang Beardsley - Southern Illinois University, United States

Discussant: Vasiliki Balla - Technical University of Crete, Greece

We examine and compare the performance of investors who short immediately before earnings announcements ('predictive shorts') with those who short immediately afterwards ('reactive shorts'). We find evidence that predictive shorts trade in a manner consistent with attempting to profit from the post-earnings announcement drift ('pead') anomaly by more heavily short selling stocks that have lower announcement day abnormal returns. Surprisingly, reactive shorts act in an opposite manner by more heavily short selling stocks that have higher announcement day abnormal returns. Contrary to the pead anomaly, these stocks have significantly negative abnormal returns over subsequent covering periods. Even more surprising is that reactive shorts outperform predictive shorts. Lastly we find that earnings announcements are a particularly opportune time for both types of short sellers.

"Multicriteria Decision Aid Models for the Prediction of Securities Class Actions"
Vasiliki Balla - Technical University of Crete, Greece
Fotios Pasiouras - Technical University of Crete, Greece
Chrysovalantis Gaganis - University of Crete, Greece
Constantin Zopounidis - Technical University of Crete, Greece

Discussant: Lung-Fu Chang - National Taipei College of Business, Taiwan

The present study employs an alternative approach to extend the literature, by examining the possibility of developing classification models to forecast securities class actions filed against US firms. The models are estimated using operational research techniques. More detailed we use multicriteria-decision aid techniques (mcda) which are based on mathematical programming. These mcda based models have various theoretical advantages over ones developed with traditional statistical and econometric methods (e.g. Discriminant analysis, logistic regression). Furthermore, various applications from the field of finance (e.g. Bankruptcy prediction, credit risk assessment, acquisitions prediction) reveal that the mcda models tend to outperform the ones developed with traditional methodologies. The study covers the period 2000-2011.

SESSION 24 **Room 8**

CROSS LISTING
Session Chair: William Bertin - Bond University, Australia

"The Listing and De-Listing of German Firms on NYSE and NASDAQ: Were There Any Benefits?"
Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Fred Kaen - University of New Hampshire, United States
Philipp Kurmann - Justus-Liebig University Giessen, Germany
Jan Zimmermann - Justus-Liebig-University Giessen, Germany

Discussant: Raul Susmel - University of Houston, United States

Refreshments 3:30-3:45 p.m.

We examine the nose and Nasdaq listing and delisting decisions of German companies in the context of market segmentation and bonding theories. Both theories assume that cross listing results in lower costs of capital and higher market valuations for these firms. However, using the research methods employed by those who have investigated and tested these theories, we find no systemic evidence that the German companies experienced reductions in their cost of capital or increases in their market values following their cross listing decisions. Our overall conclusion is that no significant valuation benefits were associated with the cross listings. Consequently, once rule 12h-6 was adopted that enabled firms to delist in the US without continuing to be subject to SEC regulations, many firms did so. Contributing to these decisions were changes in German corporate governance laws and the emergence of alternative trading platforms.

"Pairs-Trading in the Asian ADR Market"
Gwangheon Hong - Saginaw Valley State University, United States
Raul Susmel - University of Houston, United States

Discussant: Olga Dodd - Auckland University of Technology, New Zealand

In this paper, we study pairs-trading strategies for 13 Asian shares listed in their local markets and listed in the US as ADRs. Given that all pairs are co-integrated, they are logical choice for pairs-trading. We find that pairs-trading in this market delivers significant profits. The results are robust to different profit measures. For example, for a conservative investor willing to wait for a trade opportunity, pairs-trading delivers a median profit of 3.41%, with a median holding period of 5 days. Market frictions, such as shorting problems and thin trading for some of our pairs might make the strategies not only risky, but impossible to implement.

"On the Role of Cultural Distance in the Decision to Cross-List"
Olga Dodd - Auckland University of Technology, New Zealand
Bart Frijns - Auckland University of Technology, New Zealand
Aaron Gilbert - Auckland University of Technology, New Zealand

Discussant: Wim Westerman - University of Groningen, Netherlands

This paper examines the role of cultural distance in the choice of the destination market for cross-listing. Cultural distance represents a measure of the differences in cultural values, norms and beliefs between two groups. We argue that firms will choose to list in more culturally similar markets to avoid potential conflicts with cultural disparate investors and managers, and as investors may be unwilling to invest in firms from culturally dissimilar markets. Employing hofstede's (2001) cultural dimensions as our main cultural framework, we find strong support for the hypothesis that firms from developed markets show a greater propensity to cross-list in a country with similar values to their home market. These results are robust to a range of alternative cultural measures including the world values survey, globe project and the modified hofstede's scores.

"The Impact Of Sovereign Wealth Fund Transactions On Firm Value"
Laurens Marie - University of Groningen, Netherlands
Nanne Brunia - University of Groningen, Netherlands
Wim Westerman - University of Groningen, Netherlands

Discussant: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

sovereign wealth funds - rapidly growing government-owned investment vehicles - are investing heavily in equity nowadays. in this paper, we analyze the impact of sovereign wealth fund transactions on firm values, in the context of large shareholder and corporate governance views, on a global sample for the period january 2004 - july 2011. we find that the market reacts significantly positive (negative) on the announcement of an investment (divestment). additionally, we find that the market reacts stronger to announcements of divestment's since 2008. this provides some evidence for the idea that investors look more favorable upon sovereign wealth funds since 2008.

SESSION 25 **Room 1**

PORTFOLIO MANAGEMENT IV
Session Chair: Jang Schiltz - University of Luxembourg, Luxembourg

"Credit Ratings and Stock Market Performance"
Ercan Balaban - University of Aberdeen, United Kingdom
Rafi Karagol - University of Aberdeen, United Kingdom

Discussant: Tom Nohel - Loyola University, United States

This paper primarily aims to test bidirectional relationships between the credit ratings of publicly traded companies and their stock performance in a middle-income, European union accession country, namely turkey. Our data set includes 330 companies from the Istanbul stock exchange (ISE) with six-monthly and annual ratings based on the audited financial statements between December 2000 and June 2009. The daily prices data start from January 1999. Using an event-study type methodology, we first examine the effects of public disclosure of financial statements on both stock returns and their conditional volatility. Second, we test the effects of credit ratings on the stock returns, the unconditional volatility and the systematic risk. Finally, the impact of stock returns and risk factors on credit ratings is examined. We discuss the implications of our empirical results on investment management and regulation.

"Leverage Decisions in Portfolio Management"
Tom Nohel - Loyola University, United States
Steven Todd - Loyola University, United States
Zhi Wang - University of Illinois, United States

Discussant: Lorne Switzer - Concordia University, Canada

We study the leverage decisions of portfolio managers by focusing on domestic closed-end equity funds. We find that funds using leverage tend to invest in illiquid assets, have lower turnover, charge higher expenses, rely more on dividend and interest income, and are more likely to have governance structures that are less shareholder friendly. We find that levered funds outperform unlevered funds based on risk-adjusted returns, and that better-governed levered funds outperform their weaker-governed peers, as well as their unlevered peers. This performance is statistically and economically significant at over 4% per year.

"The Value of Private Information in Investment Research: Do Company On-Site Visits Affect the Trading Patterns and Performance of Professional Investors?"
Lorne Switzer - Concordia University, Canada
Mariane Keushgerian - Concordia University, Canada

Discussant: Rafi Karagol - University of Aberdeen, United Kingdom

This paper looks at relationships between managerial characteristics and actions on the performance, management fees, and systematic risk of us equity investment management firms during the period 2008 through 2011, focusing on the impact of company on-site visits. Company on-site visits significantly enhance performance, management fees, and portfolio turnover. On-site visits are also positively related to employee equity ownership while the latter is inversely related to portfolio turnover. This supports the agency hypothesis that managers with greater personal stakes in their companies invest more in collecting non-public information for longer-term commitments.

SMES

Session Chair: Giacomo Nocera - Bocconi University, Italy

"SMEs and the Challenge to Go Public: Evidence from a Recent Survey"

Marianna Caccavaio - LUISS Guido Carli University, Italy
Jacopo Carmassi - LUISS Guido Carli University, Italy
Giorgio Di Giorgio - LUISS Guido Carli University, Italy
Marco Spallone - LUISS Guido Carli University, Italy

Discussant: Michael Graham - Stockholm University, Sweden

Italian smes go public much less than smes located in other European countries, even though their relevance for the national economy is relatively higher in terms of employment and value added. Why do Italian smes so scarcely rely on equity as an external source of finance, despite the option of getting listed on SME-dedicated stock market segments? In this paper we address this question by analyzing the responses to a questionnaire that we submitted to a sample of listed firms and institutional investors. We also suggest policy interventions to provide Italian SMEs with the appropriate incentives for listing.

"The Impact of Working Capital Management on Firm Profitability in Different Business Cycles: Evidence from Finland"

Julius Enqvist - SEB Merchant Banking, Finland
Michael Graham - Stockholm University, Sweden
Jussi Nikkinen - University of Vaasa, Finland

Discussant: Pedro Garcia-Teruel - University of Murcia, Spain

The current economic downturn, characterized by liquidity shortages, increased bankruptcies and demand fluctuations, has brought renewed focus on working capital policies. In this paper, we examine the role of business cycles on the working capital-profitability relationship using a sample of finish listed companies from years 1990 to 2008. We find that the impact of business cycle on the working capital-profitability relationship is more pronounced in economic downturns relative to the economic boom state. We also show that the significance of efficient inventory management and accounts receivables conversion periods on corporate profitability increase during periods of economic downturns. Our results demonstrate that active working capital management matters and thus should be included in firms' financial planning.

"Working Capital Requirement Financing and SMEs Performance"

Sonia Banos-Caballero - University of Murcia, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martinez-Solano - University of Murcia, Spain

Discussant: Cristina Martinez-Sola - University of Jaen, Spain

Our study investigates the relation between working capital requirement (WCR) financing strategies and firm performance for a sample of small and medium-sized firms. A risky financing strategy (a large proportion of WCR financed with short-term funds) can have a positive influence on firm's performance because it has lower interest costs, can mitigate agency costs, it allows firms to signal their positive prospects and facilitates bank relations. However, it can also have a negative influence on firm's performance because of higher refinancing and interest rate risks. Our results indicate that the way how smes finance their wcr affects their performance. Moreover, we find that this relationship depends on a firm's ability to generate internal funds.

"Trade Credit and SMEs Profitability"
Cristina Martinez-Sola - University of Jaen, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martinez-Solano - University of Murcia, Spain

Discussant: Giorgio Di Giorgio - Luiss Guido Carli University, Italy

Financial literature has discussed in depth motives for trade credit provision by suppliers. However there is no empirical evidence of the effect of granting trade credit on firm profitability. We examine the profitability implications of providing financing to customers for a sample of 11,337 Spanish manufacturing smes during the period 2000-2007. This paper also explains the differences in the profitability of trade credit according to financial, operational, and commercial motives. The findings suggest that managers can improve firm profitability by increasing their investment in receivables, and that the effect is greater for larger, more liquid firms, firms with volatile demand and for firms with more market share, which is consistent with financial and operational motives, but not with the commercial motive for trade credit.

SESSION 27 **Room 3**

BANKS IV
Session Chair: Wing-Keung Wong - Hong Kong Baptist University, Hong Kong

"Macro Stress Testing Banks' Credit Quality"
Konstantinos Moutsianas - Aristotle University of Thessaloniki, Greece
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

Discussant: Huong Higgins - Worcester Polytechnic Institute, United States

The current crisis generally proved that dysfunctions in the banking system could cause systemic risks and turbulences in the broader economic environment and vice versa: the deterioration of the macroeconomic environment affects negatively the financial institutions. Therefore, the assessment of the financial system has become cornerstone for an efficient economic policy with aim to identify potential vulnerabilities in macro-level. Our study has two objectives: the first is the examination of the impact of the macroeconomic environment in the smoothness of the Greek banking system and specifically to what extent the deterioration of the economic conditions affects the credit quality of the Greek banks. The second objective is the development of macro stress testing framework in order to assess the stability of the Greek banking system, and especially the loan quality of the Greek banks in the context of a hypothetical deterioration of the macroeconomic environment.

"Bank Capital and Firm Governance: Evidence from Japanese Mergers"
Huong Higgins - Worcester Polytechnic Institute, United States

Discussant: Shrimal Perera - Monash University, Australia

The pressure for banks to report adequate regulatory capital may lead to corporate control events by the firms. This paper argues that when a bank's two borrowing clients merge, the merger reduces the bank's risk and makes it easier for the bank to restructure loans to the clients to improve bank capital adequacy. The paper's hypothesis is that a merger between two firms benefits the banks lending to them. Using data from Japan in 1990-2004, when Japan's banking sector suffered from severe capital loss and was under huge pressure to report capital adequacy, this paper documents two findings consistent with the hypothesis. First, banks of merger firms on average gained positive abnormal returns upon announcements of mergers between their clients. Second, wealth gain to banks partially stemmed from acquirer pre-merger slack, which could be used post-merger to redeem bank loans to the merger firms to enhance banks' capital adequacy.

"Impact of Competition on Credit Risk, Overall Bank Risk and Revenue Diversification: Evidence from Selected Asian Countries"

Shrimal Perera - Monash University, Australia
Sisira Colombage - Monash University, Australia
Nafisa Ovi - Monash University, Australia

Discussant: Gonzalo Cortazar - Pontificia Universidad Catolica De Chile, Chile

This study investigate the effects of changing competition on credit risk, overall bank risk and revenue diversification using a sample of 242 commercial banks from selected Asian countries (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) during 1998-2010. We find that, even though changing competition results in volatile fluctuation in the level of non-performing loans, Asian banks engaged in more revenue diversification activities to offset that effect on overall bank risk. In other words, increased competition and loan losses are positively associated with bank revenue diversification. These evidence remain consistent across all models providing robust results.

"Rational Expectations of Monetary Policy Changes and the Term Structure of Interest Rates: Estimating Market Expectations from Current Bond Prices in Chile"

Gonzalo Cortazar - Pontificia Universidad Catolica De Chile, Chile
Gonzalo Valdes - Pontificia Universidad Catolica De Chile, Chile

Discussant: Konstantinos Moutsianas - Aristotle University of Thessaloniki, Greece

Most central banks implement their monetary policy adjusting the short rate. Generally, markets know well ahead when the rate-change could take place but not if, and by how much, these rates will be modified. Bond traders price risky bonds using a known short term rate, expectations on future rate changes by the monetary authority and a spread. This paper presents a model which explicitly takes into account rational expectations for future rate changes in a traditional no-arbitrage model for the dynamics of the short rate. The model is implemented using Chilean short maturity fixed income market issued by 4 private banks. Estimation is done with a Kalman filter using an incomplete data panel typical of emerging markets. Results show that the model fits well observed prices and that expected rate changes can be obtained from current prices.

SESSION 28 **Room 4**

ANALYSTS

Session Chair: Nikolaos Philippas - University of Piraeus, Greece

"Are Analysts Really Too Optimistic?"

Jean-Sebastien Michel - HEC Montreal, Canada
Ari Pandes - University of Calgary, Canada

Discussant: Enrico Cervellati - University of Bologna, Italy

In this paper, we examine whether the elevated forecasts of analysts relative to their peers are driven by optimism or skill. Empirically, the consensus earnings forecast of firms in the highest quintile of average relative analyst forecasts (ARAF) is 30% more accurate and has significantly better operating performance than that of firms in the lowest quintile, consistent with the idea that relatively high analyst forecasts provide valuable information about future firm performance. In terms of stock market returns, firms with higher araf significantly outperform stocks with lower araf by 11.2% on an annual basis, and this effect is most pronounced among more uncertain and harder to value firms. Our results are robust to standard risk-adjustments and are persistent even after the implementation of regulation fd, providing the strongest support for analysts' superior ability to produce valuable information.

"Analyst Reluctance in Conveying Negative Information to the Market"

Luca Piras - University of Cagliari, Italy
Olga Denti - University of Cagliari, Italy
Enrico Cervellati - University of Bologna, Italy

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

We analyze analysts' reports on S&P500 through an approach integrating behavioral finance and linguistic analysis to assess whether financial and linguistic trends follow the same patterns, boosting each other, or diverge. In the latter, language could conceal financial events, mitigating analysts feelings and misleading investors. We try to understand whether analysts have an early perception of the incumbent crisis, comparing the content of the reports to the index performance in four positive and four negative time spans from November 2009 to December 2010. We focus on the contradictions between the actual fluctuation of the index, and the evaluation of such trends by analysts. Our results show analysts' reluctance to incorporate negative information in the reports. A thorough enquiry on the market moods and the analysis of the reports enable us to assess if and to what extent analysts have been willing to mitigate pessimism or emphasize confidence.

"Does Geographic Proximity Lead to Superior Performance of Local Analysts? Evidence from an Emerging Market"

Sheraz Ahmed - Lappeenranta University of Technology, Finland
Omar Farooq - Aalborg University, Denmark

Discussant: Nirosha Hewa Wellalage - University of Waikato, New Zealand

Using a large dataset of foreign and local analysts' recommendations from Pakistan, we provide evidence that performance of geographically proximate local analysts deteriorates significantly when the incentives to provide biased research increase. We argue that when regulations to monitor the actions of local analysts are poorly enforced then relevant and timely information acquired as a result of geographic proximity may induce local brokerage houses to use analysts to facilitate their unscrupulous behavior - price manipulation activities. Therefore, informatory advantage to local analysts is not reflected by better performance of stock recommendations. We propose that market intermediaries should also be subject to proper governance mechanisms to facilitate efficient functioning of stock markets in emerging economies.

"Corporate Governance And Capital Structure Decision Of Sri Lankan Listed Firms"

Stuart Locke - University of Waikato, New Zealand
Nirosha Hewa Wellalage - University of Waikato, New Zealand

Discussant: Ari Pandes - University of Calgary, Canada

This study investigates the linkages between corporate governance and capital structure decisions in listed business in sri lanka. five years of data for 113 listed companies are collected and 565 observations are analyzed using a dynamic panel generalized method of moment estimation controlling for the endogeneity effect of corporate governance variables. this study provides empirical support for the hypotheses that sri lankan listed companies pursue a policy of high debt with high insider ownership and ceo duality. non-executive directors tend to have less external financing than boards with more executive directors. in general, this study finds the issue of corporate governance has important implications on the financing decisions of sri lankan listed firms.

EMERGING MARKETS I

Session Chair: Anxo Calvo - Universidade Da Coruna, Spain

"Time Varying Conditional Discrete Jumps in Emerging African Equity Markets"

Saint Kuttu - HANKEN School of Economics, Finland

Discussant: Heung-Joo Cha - Univeristy of Redlands, United States

An ARJI-GARCH model of Chan and Maheu (2002) is used to examine the time varying conditional jumps dynamics for thin traded adjusted equity returns of Egypt, Nigeria and South Africa. The findings suggest that conditional jumps are time varying, and jumps are sensitive to past shocks for Egypt and south Africa but not for Nigeria. Jumps sensitivity is persistent in all the markets, and only South Africa is more likely to exhibit asymmetric jump volatility. We provide evidence that the presence of thin trading leads to spurious estimates, and in some cases, it understates the economic significance of the jumps dynamics.

"Diversification Effect of Investments in Emerging Stock Markets"

Heung-Joo Cha - Univeristy of Redlands, United States

Discussant: Omar Moreira Filho - Fundacao Getulio Vargas, Brazil

The portfolio diversification benefits increase with low correlations between asset returns and emerging market equities are one such class of assets. Some studies indicate that the correlations between asset returns are time-varying and using unconditional estimates of correlation in a portfolio optimization model can result in misallocation of assets. To overcome this problem we use multivariate arch models to estimate the time-varying correlations and use the same in portfolio optimization models. The assets used in this portfolio optimization model comprise nineteen equity market indices and s&p 500 index. Return calculations show that unrestricted portfolios created with emerging stock indices and S&P500 index outperform the S&P500 index by itself. With investment in emerging market restricted to ten percent of the total investment, we find no significant diversification benefit, but with twenty percent investment in emerging markets there is some diversification benefit.

"Determinants for Political Risk Insurance of Direct Investments in Emerging Markets"

Omar Moreira Filho - Fundacao Getulio Vargas, Brazil
Richard Saito - Fundacao Getulio Vargas, Brazil

Discussant: Christos Savva - Cyprus University of Technology, Cyprus

This paper analyzes the main determinants for investors to enter into political risk insurance (PRI) for its direct investments as well as the rationale for exiting pri by not renewing its policies. This paper contributes to the existing pri literature by investigating how major drivers for pri, such as, political risks, economic risks, sponsor capacity, instrument used to invest (investment horizon) determine pri schemes by using a non-linear binary response variable model. A unique database of the multilateral investment guarantee agency (MIGA) from 1990 to 2010 containing information on 693 investments including its coverage for: convertibility risk insurance, expropriation risk insurance, war and civil disturbance risks. However, we find that 47% do not remain active until the original contracted tenor.

"Diversification Opportunities in Emerging Markets"

Christos Savva - Cyprus University of Technology, Cyprus
Demetris Markou - Cyprus University of Technology, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus

Discussant: Saint Kuttu - HANKEN School of Economics, Finland

In this paper we investigate the impact of market openness on the degree of stock market co-movement among emerging economies and US by utilizing time varying correlations in returns. We use weekly data of leading market indices from 19 emerging markets and the S&P500 for the US market. We employ a smooth transition conditional correlation arch model to estimate the time varying correlations. The level of market openness is measured by the investability index of the international finance corporation (IFC). Our results indicate that there are still diversification opportunities in emerging markets.

SESSION 30 **Room 6**

CREDIT RISK II
Session Chair: Ronen Barak - Bar Ilan University, Israel

"Estimating Mortgage Defaults with Defeasance"
Muzaffer Akat - Ozyegin University, Turkey
Brent W. Ambrose - Pennsylvania State University, United States
Orhan Erdem - Istanbul Bilgi University, Turkey
Yildiray Yildirim - Syracuse University, United States

Discussant: Jiri Svec - University of Sydney, Australia

We try to estimate default and deference probabilities of commercial mortgages via an American option pricing framework. In this framework, the borrower is assumed to default either if the price of the real estate drops below the level of the outstanding loan balance or the net operating income of the real estate is less than the periodic payments of the loan. The borrower is assumed to defease when the gain from defeasing to re nance a new project is large enough to cover the loss occurring due to defeasence. To the best of authors' knowledge, this is the rst study that simultaneously considers the defeasence and default options of a mortgage borrower.

"Modeling Euro Zone's Credit Default Swaps"
Yue Wang - University of Sydney, Australia
Jiri Svec - University of Sydney, Australia
Maurice Peat - University of Sydney, Australia

Discussant: Offer Shapir - Ben Gurion University, Israel

Using government balance sheet information we construct a structural sovereign cds pricing model based on Merton's contingent claims framework. We investigate whether in the absence of public releases regarding a government's financial position, the evolution of sovereign credit default swap spreads are driven by equity market volatility. We focus on spreads from European union member states that have adopted the euro currency as these states have limited access to monetary policy tools to mitigate any deterioration in the government's finances. Our results show that a contingent claims framework is not only able to model sovereign credit default swaps more accurately than a naive model, its relative accuracy increases with the evaluation horizon.

"CDs Spreads: Cross-Section and Time-Series Analysis"
Koresh Galil - Ben-Gurion University, Israel
Offer Shapir - Ben Gurion University, Israel
Uri Ben-Zion - Western Galilee College, Israel

Discussant: Marti Subrahmanyam - New York University, United States

We examine the determinants of CDS spreads and spread changes on a broad database of 692 US-firms during the period of Feb. 2002 to Nov. 2009. We find that company-level variables consistent with theoretical models substantially explain spread changes. However, market variables complying with previous empirical studies still have explanatory power after controlling for company level variables we also suggest four basic mixed sets of variables that each is useful in predicting spread changes conditional on availability of the necessary data. Further, we show in a cross section analysis that the fundamental company-level variables such as stock return, stock volatility and leverage mostly kept their explanatory power during the GFC whereas ratings explanatory ability deteriorated almost to zero.

"Does the Tail Wag the Dog? The Effect of Credit Default Swaps on Credit Risk"
Marti Subrahmanyam - New York University, United States
Dragon Yongjun Tang - University of Hong Kong, Hong Kong
Sarah Qian Wang - University of Hong Kong, Hong Kong

Discussant: Orhan Erdem - Istanbul Bilgi University, Turkey

Concerns have been raised about whether credit default swaps (CDS) increases credit risk. We use a sample covering 901 cds introductions on north American corporate issuers between June 1997 and April 2009 to present evidence that the probability of credit rating downgrade and the probability of bankruptcy both increase after cds trading. The effect is robust to controlling for the possibility that firms with upcoming deterioration in creditworthiness are more likely to be selected for CDS trading. We show that the cds-protected lenders' reluctance to restructure is the likely cause of the increase in credit risk and that firms with relatively larger amounts of cds contracts outstanding, and those with more "no restructuring" contracts, are more likely to be adversely affected by CDS trading. We also document that cds trading increases the level of participation of bank lenders to the firm. Our results are broadly consistent with the predictions of the "empty creditor" hypothesis.

SESSION 31 **Room 7**

ASSET PRICING I
Session Chair: Gordon Alexander - University of Minnesota, United States

"Long-Run Evidence Using Multifactor Asset Pricing Models"
Paola Brighi - University of Bologna, Italy
Stefano D'addona - University of Rome, Italy
Antonio Della Bina - University of Bologna, Italy

Discussant: Nader Virk - HANKEN School of Economics, Finland

We study the pricing factor structure of Italian equity returns using 25 years of data. A two step empirical analysis is provided where first we estimate an unrestricted multi-factor model to test if there is any evidence of misspecification. Then, we estimate the restricted model through the generalized methods of moments. We find that the market premium and the size premium for stocks are confirmed for a domestic Italian investor. On the contrary, weak evidence is found for the value premium. Finally, we highlight, that augmenting the model with a momentum factor may at least partially improve its performance.

"Specification Errors of Asset Pricing Models for a Market Characterized with Large Capitalization Firms"
Hilal Butt - HANKEN School of Economics, Finland
Nader Virk - HANKEN School of Economics, Finland

Discussant: Claudio Boido - University of Siena, Italy

The evaluation for the specification errors of asset pricing models is conducted using size-bm, size-mom and industry portfolios (21) for Finish stock market. The Finish market is taken as a test case for equity markets where few firms dominate the total market capitalization. We report diverging risk-returns tradeoffs for the average tendencies of the stocks and for the actual growth in them. The results suggest the poor cross-sectional ability of unconditional CAPM is improved if the parameters of the stochastic discount factor (SDF) are allowed to vary through time. Nonetheless, the Carhart (1997) model SDF produces the lowest Hansen-Jagannathan (1997) distance for stock returns across all tested specifications. The Fama-French (1993) model augmented with macro variables, and January scaled CAPM produce matching performances to Carhart model with equal and capitalized weighting respectively. The evidence is stable under the employed diagnostics checks.

"CAPM with Sentiment: The Effcient Market Hypothesis Spiced up with Sentiment"
Claudio Boido - University of Siena, Italy
Antonio Fasano - University of Salerno, Italy

Discussant: Dariusz Zarzecki - University of Szczecin, Poland

Finance theory asserts that stock prices rejects their fundamental value. When the price changes, rational arbitrageurs absorb these shocks and therefore stock price stays at the fundamental level. Sometimes for some types of stock, noise traders could be an influence on the stock price. We could define investor sentiment as the inclination to speculate, so when sentiment is high, investor demand for speculative investment is high, conversely when is low, investor demand for speculative investments is low. It is correct to assert that some stocks are more sensitive to speculative demand and those which are more difficult to value, tend to be the riskiest to arbitrage. In our research we try to demonstrate the relationship between large caps returns in the Italian stock index and sentiment indexes, using a camp framework. In fact economic optimism promotes consumer confidence and a willingness to make large expenditures and debt commitments, while economic uncertainty breeds pessimism.

"Private Benefits of Control in Business Valuation"
Dariusz Zarzecki - University of Szczecin, Poland
Katarzyna Byrka-Kita - University of Szczecin, Poland

Discussant: Antonio Della Bina - University of Bologna, Italy

In spite of the fact that there are many definitions of private benefits of control in the finance literature, which are superficially similar, in many cases they are fundamentally different. Private benefits of control are derived from various sources, in consequence their classification is extremely difficult since it will not be comprehensive and separable, from the nature of things. Hence, in this case, we can rather speak of a typology that is a division of certain entities into groups, being characterized with a certain common characteristic or a group of characteristics - constituting a certain type. The main purpose of the paper is to analyze the definitions, origins and the nature of private benefits of control in the context of business valuation.

SESSION 32 **Room 8**

VENTURE CAPITAL
Session Chair: Laurie Prather - Bond Univeristy, Australia

"Going Public - Going Private - The Case of VC-Backed Firms"
Andrej Gill - Goethe University Frankfurt, Germany
Uwe Walz - Goethe University Frankfurt and Center for Financial Studies, Germany

Discussant: M. Camino Ramon-Llorens - Universidad Politecnica De Cartagena, Spain

We investigate the decisions of listed firms to go private once again. We start by revealing that while a significant number of firms which go public is vc-backed,an over proportional share of these vc-backed firms go private later on (they stay on the exchange for an average of 8.5 years). We interpret this very robust pattern such that ipos of vc-backed firms are to a large extent a temporary rather than a permanent feature of the corporate governance of these firms. We investigate various potential hypotheses why vcs actually seem to be able to bring marginal firms to the exchange by relating the going-private decisions to various characteristics of the iPod market as well as to vc characteristics. We find strong support for the certification ability of vcs: more experienced and reputable vcs are more able to bring marginal firms to public exchanges via an iPod. These marginal firms backed-by more reputable and experienced vcs are more likely to go private later on.

"The Influence of the Institutional Theory on the Terms and Conditions Included In the Spanish Venture Capital Contract"

M. Camino Ramon-Llorens - Universidad Politecnica De Cartagena, Spain
Gines Hernandez-Canovas - Universidad Politecnica De Cartagena, Spain

Discussant: Qingwei Meng - University of Birmingham, United Kingdom

This paper uses a survey dataset of 41 Spanish venture capital firms to examine the contractual covenants that they use in their relationship with the portfolio companies. Our results show that contractual covenants are standardized, being the most common those that require the entrepreneur to provide economic and financial information to venture capitalists in order to control the investment once it has been made. However, between public and private venture capital firms there is some heterogeneity in the design of contracts due to the coercive pressures exerted by the government on public entities; private sector remains the strongest in the application of standard terms. Our results contribute to shed light on the financial contracts used by venture capitalists to mitigate the agency conflicts that might arise during their relationship with the entrepreneurs.

"The Measure of Corporate Investment to Capital Ratio Matters: Evidence from UK Panel Data"

Qingwei Meng - University of Birmingham, United Kingdom

Discussant: Gaoxiang Wang - University of Waikato, New Zealand

The use of normalized capital investment as a measure of corporate investment behavior has been common practice in applied studies on corporate finance. However, there is little literature that provides comparison among the various versions of the corporate investment ratios which are similarly constructed at first glance. The purpose of this paper is to discriminate and evaluate 20 alternative measurements of normalized corporate investment which have been identified in the existing literature. Using a panel of UK-listed firms, we empirically discriminate and evaluate the set of alternative measures of investment, contributing to the existing literature in several ways. First, we call for attention to the misuse and misinterpretation of investment measures in applied corporate finance research, which has been overlooked by the existing literature. Second, we evaluate the performance of the alternative investment measures in terms of volatilities and relative information content.

"Does Corporate Governance Impact On The Sustainable Return Of Ipos In China? A Study Of Shenzhen Stock Exchange 1999-2009"

Gaoxiang Wang - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand

Discussant: Uwe Walz - Goethe University Frankfurt and Center for Financial Studies, Germany

This paper examines the relationship between corporate governance and the short and long-term performance of initial public offerings (ipos). Panel data are analysed for listings during 1999-2004, allowing for a 5 year post listing period up to 2009. Data are drawn from the shenzhen stock exchange (szse). The results indicate that some governance variables are correlated with short and long-term performance in szse.

6:00 - 7:00 p.m. Bus transfer from Novotel to Slowacki Theatre (every 15 minutes)

7:15 - 7:30 p.m. Welcome Speeches by Professors L. Preisner, P. Theodossiou and Mr. M. Sowa

KEYNOTE SPEECH

7:30-8:15 p.m. Slowacki Theatre

Professor David L. Yermack
New York University, USA

RECENT DEVELOPMENTS IN SHAREHOLDER VOTING AND CORPORATE GOVERNANCE

Shareholder voting has become a surprisingly active research area in corporate finance and a contentious area for regulators. Derivative securities have created new problems involving "empty voting," over voting," and "empty creditors," enabling active investors to manipulate the outcomes of mergers, proxy fights, and bankruptcies, sometimes with significant transfers of debt and equity value. In the U.S. and other countries, the shareholder franchise has expanded in areas such as executive compensation and director elections, with uncertain implications for the value of affected companies. This talk will review research developments in these areas and discuss open issues and regulatory challenges.

Organized by

Mr. Marek Sowa
Marshal, Malopolska Region

8:20-9:20 p.m. The Song and Dance Ensemble "Krakus" of AGH in Slowacki Theatre

9:30 - 11:30 p.m. Mini bus transfer from Theatre to Novotel (9:30, 10:10, 10:50, 11:30 p.m.)

SESSION 33 **Room 1**

MARKET EFFICIENCY I
Session Chair: George Athanassakos - The University of Western Ontario, Canada

"A Traditional and a Bootstrapped Analysis on the Profitability of Technical Trading Rules: Evidence from Australia and Malaysia"
Barry O'Grady - Curtin University, Australia
David Allen - Edith Cowan University, Australia
Darren O'Connell - Curtin University of Technology, Australia

Discussant: Hisham Farag - University of Birmingham, United Kingdom

This research examines the ability of technical trading rules to predict stock price movements on selected Australian and Malaysian stocks over the period 1989-2008. Stage-1 of the analysis tests the predictability and profitability of technical trading rules. A traditional t-test analysis is applied. By application of a bootstrap analysis stage-2 of this study addresses the issue of non-normality in time series returns. This statistical approach compares returns conditional on a trading rule buy (sell) signal from the original stock series with conditional returns simulated from 2 null models: are(1) and a arch-m model. The bootstrap simulation found that technical trading rules maintained their predictability status in the Malaysian market. Australian results are mixed with evidence to suggest that the underlying returns process may follow that of an are (1) and a arch-m process. This may reverse any predictability of returns which may have been inferred in stage-1 of the study.

"Do Regulatory Policies Affect Volatility and Stock Market Anomalies? Evidence from Egypt"
Hisham Farag - University of Birmingham, United Kingdom

Discussant: Guzhan Gulay - Istanbul Stock Exchange, Turkey

We investigate the day of the week effect in the Egyptian Stock Exchange (EGX) and whether or not the change in regulatory policies - the switch from price limits to circuit breakers - structurally alters this phenomenon. Using daily data for the EGX30 market index, the results show that the switch from symmetric price limits to circuit breakers increases price volatility in the egx. In addition, we found evidence of the presence of the day of the week as the estimated volatility is likely to be higher on Sunday. We also find that the risk premium in the extended tarch-m is not only positive but is also structurally altered due to the switch.

"Price Ticks and the Effects of Price Tick Changes in ISE"
Guzhan Gulay - Istanbul Stock Exchange, Turkey
Erisah Arican - Marmara University, Turkey

Discussant: Katrin Gottschalk - Auckland University of Technology, New Zealand

Price ticks represent the smallest price changes of securities trading. Studies have shown that changes in price ticks led to significant changes in the depth, spread, volatility and clustering figures in most of the exchanges. On April 4th, 2003 Istanbul stock exchange (ise), one of the leading emerging markets, has changed its price tick scale. The paper examines the impact of changes on price ticks in stock market. The best bid and offer has been analyzed together with the five best bid and ask price levels for a better analyses about the of price tick change effects. Significant declines are found in best bid and offer price levels as well as in the depths. However significant increases are found throughout in depth figures when

the whole order book is analyzed. Market activity has been found to increase and intraday volatility has declined. Order cancellations and improvements show no significant changes that accepted as the signals for front running. Study also proves no clustering.

"Performance of Companies with Substantial State Ownership Around National Elections"
Katrin Gottschalk - Auckland University of Technology, New Zealand
Jedrzej Bialkowski - University of Canterbury, New Zealand
Jacob Sheehan - University of Canterbury, New Zealand

Discussant: Barry O'Grady - Curtin University, Australia

For companies with substantial state ownership a change in government can result in further privatization and changes in key management. Both of these factors have been shown to be important indicators of future firm performance, and thus the election period should provide an opportune time for investors to reassess the future performance of companies exposed to political risks. We investigate return behavior around national elections for 213 companies listed in oecd countries and characterized by substantial state ownership in the period 1982-2010. Our results indicate that when the state has a non-controlling stake, the period around the election is characterized by increased volatility and negative abnormal returns. When no parliamentary majority is achieved, firm-specific risk increases significantly after the election. Additionally, volatility is higher during hotly contested races. The influence of partisan differences on firm-specific performance around elections is limited.

SESSION 34 **Room 2**

CORPORATE FINANCE
Session Chair: Michael Mckenzie - The University of Sydney, Australia

"Why Do Investors Trade Around Social Rating Announcements?"
Alexis Cellier - Université Paris-EST, France
Pierre Chollet - Université Paris-Est, France
Jean-Francois Gajewski - Universite De Savoie, France

Discussant: Basil Al-Najjar - Middlesex University, United Kingdom

This paper investigates the trading motives around csr rating announcements. Focusing on the European market, we use vigeo ratings, which are disclosed almost every month, while others agencies like kld rate whole firms annually. This periodicity enables us to use an event study methodology to measure abnormal trading volume associated with rating announcements. Controlling for endogeneity and causality this paper clearly shows that before the announcement trading volume drops sharply while it increases afterwards, both effects compensating. The willingness to trade depends on trading costs, prior private information and the information content of the announcement. Despite the fact that neither the aggregated csr notation nor its revision have an impact on trades, it appears that some precise topics influence significantly investors' trades. Beyond financial information, CSR rating agencies produce valuable information used by investors. These results suggest that a broader dissemination of CSR rating should improve market quality.

"The Impact of Board Size and Independence on SMEs Financial Decisions: Evidence from UK"
Basil Al-Najjar - Middlesex University, United Kingdom

Discussant: Philip Gharghori - Monash University, Australia

This study applies an up-to-date data from UK SMEs to empirically analyze the corporate governance theory within SMEs context, by investigating the importance of board size and independence, as monitoring tools, in determining the financial structure of the UK SMEs. This is the first major paper to highlight this issue within the SMEs context. The study covers the time span from 2000 to 2009, and employs cross sectional-time series regression models. The empirical results shed the light on the importance of independent directors in forming SMEs debt structure. Independent directors serve as a good monitoring tool and negatively impact the debt decision, and hence independent directors are active in monitoring firms' financial decisions. It is found that this role is more significant in big SMEs. In addition, we detect that profitability and firm size are positively related to capital structure. Consistent with agency theory, we find that growth rate and liquidity have negative impact on debt decisions. Also, uniqueness and non-debt tax shield determine SMEs debt structure. Hence, the theory of capital structure is practical within SMEs context. Finally, there is strong evidence of time and industry effects are important in shaping capital structure decisions.

"Trading on Stock Split Announcements and the Ability to Earn Long-Run Abnormal Returns: Caveat Emptor"

Philip Gharghori - Monash University, Australia
Edwin Maberly - Deakin University, Australia
Annette Nguyen - Deakin University, Australia

Discussant: Krishna Reddy - University of Waikato, New Zealand

This study examines long-run abnormal returns following stock split announcements over the period 1975-2006. A significant abnormal return of 5% p.a. is observed over the entire dataset but this finding is not robust across sub-periods or segregations based on market cap. It is also documented that abnormal returns can be enhanced by focusing on splitting firms that have not split previously within the last three years. The key result of this study, which dominates all other findings, is that abnormal returns are conditional on whether firms split again in the next three years. Unsurprisingly, firms that split again perform very well in the year after the current split. However, for the roughly two-thirds of the sample that do not split again, the abnormal return is -11%. This suggests that the average long-term under-reaction following stock split announcements is difficult to exploit.

"Does Ownership Concentration and Identity Matter: An Empirical Investigation of Publicly Listed Companies in New Zealand"

Krishna Reddy - University of Waikato, New Zealand
Sazali Abidin - University of Waikato, New Zealand
Wei He - University of Waikato, New Zealand

Discussant: Jean-Francois Gajewski - Universite De Savoie, France

The purpose of this is to investigate the nature of the relationship between ownership concentration, ownership identity and financial performance of publicly listed companies in New Zealand. Also investigate whether the relationship between ownership-performance changes during the financial crisis. Using panel data for the publicly listed companies for the period 2003 to 2009 obtained from nzx deep archive and ols regression to test the influence of ownership concentration, ownership identity on financial performance measured by Tobin's q, mb, roa and roe. Our findings support that ownership concentration affects financial performance. Results show that a higher ownership concentration in listed companies in new Zealand leads to a lower market-based performance and higher accounting-based performance. We report that the ownership identity affects performance of nzx listed company.

FUNDS I

Session Chair: Stefan Prigge - Hamburg School of Business Administration, Germany

"Do Mutual Fund Managers Exploit the Ramadan Anomaly? Evidence from Turkey"

Jedrzej Bialkowski - University of Canterbury, New Zealand
Martin Bohl - University of Muenster, Germany
Philipp Kaufmann - University of Munster, Germany
Tomasz Wisniewski - University of Leicester, United Kingdom

Discussant: Nikolaos Tessaromatis - The American College of Greece, Greece

Recent literature shows that the holy month of Ramadan exerts a positive influence on investor sentiment in predominantly Muslim countries. This positive calendar anomaly has been found to be particularly pronounced in turkey. We therefore examine whether mutual fund managers investing in Turkish stocks are aware of the Ramadan effect and whether they are able to successfully time the market. We find that risk-adjusted fund performance, especially for domestic institutional funds, larger domestic hybrid funds and foreign Turkish equity funds, is substantially higher during Ramadan compared to the rest of the year. By contrast, domestic index funds fail to deliver higher abnormal returns, as they are adversely affected by increased money inflows during Ramadan. Overall, our findings suggest that fund managers and investors alike have discovered the exploitable profit opportunities offered by the month of Ramadan in Turkey.

"Revisiting Mutual Fund Performance Evaluation"

Timotheos Angelidis - University of Peloponnese, Greece
Daniel Giamouridis - Athens University of Economics and Busniness, Greece
Nikolaos Tessaromatis - The American College of Greece, Greece

Discussant: Lawrence Kryzanowski - Concordia University, Canada

We argue that any deviation from the fund manager's self-reported benchmark should be interpreted as an effort to improve the performance of her portfolio through either stock picking or broadly speaking factor timing. We develop a new framework which allows us to measure the manager's ability to dynamically rotate among broad factors (dynamic factor timing) as well as her ability to strategically decide to maintain a long-term bias with respect to a factor (static factor timing). We find that managers largely engage in timing practices without on average adding, if not destroying, value. Mutual funds underperform their benchmarks mainly due to unsuccessful stock selection decisions.

"Equity Fund Flows and Performance Around Economic Recessions"

Ines Gargouri - UQAM, Canada
Lawrence Kryzanowski - Concordia University, Canada

Discussant: David Rakowski - Southern Illinois University, United States

The relation between net fund flows and performance is examined around the two most recent US economic recessions for US equity funds. Post-recessionary period net fund flows are positively (negatively) correlated with absolute (peer-relative) performance for the early 2000 recession, and with absolute and peer-relative performance for the great recession (the most recent one) according to non-parametric measures. Empirical copulas in the extreme left tails indicate a positive dependence for the early 2000 recession, and independence for the great recession between performance and net fund flows.

"The Market Response to Mutual Fund Holdings Disclosures"
Conrad Ciccotello - Georgia State University, United States
Jason Greene - Southern Illinois University, United States
David Rakowski - Southern Illinois University, United States

Discussant: Philipp Kaufmann - University of Munster, Germany

We analyze the market response to holdings disclosure filings made by open-end US mutual funds. Our procedure is to match the precise timing of the holdings disclosure filings from the sec's Edgar database with the crsp mutual fund database. We examine if fund managers' trades for securities held are associated with subsequent trading activity in the market. Our results show that these filings are associated with significant responses in both volume and valuation for the underlying securities held by the fund. We find that both security-level and fund-level characteristics are significantly associated with abnormal volume and returns surrounding fund disclosures.

SESSION 36 **Room 4**

ACCOUNTING ISSUES II
Session Chair: Christos Negakis - University of Macedonia, Greece

"The Impact of Internet-Based Disclosure on Capital Market Risk"
Li Li - Groupe Sup De Co Montpellier Business School, France

Discussant: Amir Rubin - Simon Fraser University, Canada

This study examines the relationship between internet-based disclosure and capital market risk. Based on prior research, an index of 49 items is developed to evaluate the level of internet-based voluntary disclosure in France. Three measures are used to present the capital market risk: total risk is measured by the standard deviation of stock returns, and systematic risk and idiosyncratic risk are the beta and standard deviation of the residuals generated from the market model, respectively. A series of corporate governance factors are also introduced in order to analyze their effect on capital market risk. The results show that total risk and idiosyncratic risk vary inversely with the strength of internet disclosure. This indicates that improved online disclosure can reduce investors' uncertainty in the capital market. However, systematic risk is not influenced by the disclosure practice. Furthermore, capital concentration and board size are negatively associated with risk measures.

"Corporate Governance and the Timing of Earnings Announcements"
Roni Michaely - Cornell University, United States
Amir Rubin - Simon Fraser University, Canada
Alexander Vedrashko - Simon Fraser University, Canada

Discussant: Mohamed Keffala - ISFA, France

The conventional wisdom is that some managers tend to announce bad earnings news outside trading hours to minimize its price impact. Alternatively, we argue that firms may decide to announce their earnings outside trading hours to allow investors time to absorb the information and to level the playing field amongst investors. Using comprehensive time-stamp data on earnings announcements, we do not find any evidence that firms announce a higher proportion of bad news outside trading hours, nor is there evidence that reporting bad news after trading hours reduces its negative impact. We find that firms with better corporate governance tend to announce outside trading hours and that corporate governance regulations and shareholder-management alignment mechanisms are associated with an increased proportion of earnings announced outside trading hours. Surveys of corporate managers corroborate these empirical results.

"Effect of the Use of Derivative Instruments on Accounting Risk: Evidence from Banks in Emerging and Recently Developed Countries"
Mohamed Keffala - ISFA, France
Christian De Peretti - University of Lyon, France

Discussant: Ewa Walinska - University of Lodz, Poland

The purpose of this paper is to assess the level of accounting risk that banks, in both emerging and recently developed countries, face by using derivative instruments. On the whole, results show that forwards negatively affect leverage risk, the use of swap contracts has negative effect on credit risk, the use of options generally increases risk, and finally the use of futures minimally contributes to bank risk. There is some evidence that forwards and swaps are used primarily for risk-control purposes, while options tend to be used for speculative purpose. The main finding is that banks in the sample do not seem to be at risk by using derivative instruments.

"The Modern Business Reporting Dimension Including the Supervisory Board's Reports"
Ewa Walinska - University of Lodz, Poland
Jacek Gad - University of Lodz, Poland

Discussant: Li Li - Groupe Sup De Co Montpellier Business School, France

The aim of the article is to present the concept of modern business reports. The article is discussed a proposal of management commentary prepared by iasb and the concept of corporate reporting chain. Additionally, the tasks of supervisory board in related to the above concept is explained. Authors mainly proposed extension of modern business report on reports prepared by supervisory board.

SESSION 37 **Room 5**

EMERGING MARKETS II
Session Chair: Jose Rossi - Insper Institute of Education and Research, Brazil

"Price Discovery and Foreign Ownership in Emerging Markets"
Jun Cai - City University of Hong Kong, Hong Kong
Richard Ho - City University of Hong Kong, Hong Kong
Robert Korajczyk - Northwestern University, United States
Zheng Zhang - Peking University, China

Discussant: Bin Liu - RMIT University, Australia

This paper examines the relation between intraday price discovery and proxies for financial openness or investor accessibility for a large cross-section of 23 emerging markets. Our sample covers 1,504 stocks over a period of eight months, from 2006 to 2007. We find price discovery, as measured by weighted price contribution, to be most important in early trading sessions immediately after the market opens. Our cross-sectional analysis suggests that price discovery in early trading is negatively related to the level of the bid-ask spread and return volatility, and positively related to the extent of analyst coverage. Most importantly, there is a reliable relation between early price discovery and direct foreign ownership in the underlying stocks. Greater price discovery early in the day is affiliated with a more significant presence of foreign investors in the home markets.

"Idiosyncratic Volatility, Stock Returns and Economy Conditions: The Role of Idiosyncratic Volatility in the Australian Stock Market"
Bin Liu - RMIT University, Australia
Amalia Di Iorio - RMIT University, Australia

Discussant: Elisabeta Pana - Illinois Wesleyan University, United States

This study examines the importance of idiosyncratic volatility in asset pricing for Australian stock returns from 1993 to 2010. We form an idiosyncratic volatility mimicking factor. In the presence of the fama-french three-factor we find that the idiosyncratic volatility mimicking factor is priced in Australian stock returns over the sample period, implying that this type of volatility is significant in the pricing of Australian stocks. Further, we find that idiosyncratic volatility is priced during both economy expansions and contractions and our model captures greater variations in Australian stock returns during expansions than contractions.

"The Impact of Internet-Based Services on Credit Unions: A Propensity Score Matching Approach"

Elisabeta Pana - Illinois Wesleyan University, United States
Sascha Vitzthum - Illinois Wesleyan University, United States
David Willis - Illinois Wesleyan University, United States

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

Credit unions focus their profit and capital management on the trade-off between providing immediate financial benefits to members and augmenting their institutional well-being through capital accumulation. In this study, we investigate the changes in benefits to credit union members via the interest-rate spread around the adoptions of internet-based services for the period of 2000-2009. Using the propensity score matching method, we find that after the adoption year early adopters match the interest-rate spread offered by non-adopters and that late adopters continue to offer less favorable interest-rate spreads than those of non-adopters. We show that credit union adopters have comparable profit rates with those of non-adopters over a three-year period after the adoption. The results are robust to different definitions of internet-based services non-adopters and different models used to estimate adoption probabilities.

"Inflation Risk, Exchange Rate Risk and Asset Returns: Evidence from Korea, Malaysia and Taiwan"

Kashif Saleem - Lappeenranta University of Technology, Finland

Discussant: Robert Korajczyk - Northwestern University, United States

In this paper we investigate whether inflation and currency risks are priced in the Korean, Malaysian and Taiwan stock market using conditional international asset pricing models. We take the view of a us investor. The estimation is conducted using a modified version of the multivariate arch framework of de Santis and Gerard (1998). We use a sample period from 1988 to 2009. The results show that the world market risk is priced on Korean, Malaysian, Taiwan and US stock markets. We find the currency and inflation risk to be also priced on Korean, Malaysian and Taiwan market.

SESSION 38 **Room 6**

CASH HOLDINGS

Session Chair: Piet Sercu - KU Leuven, Belgium

"What Causes Differences in Cash Holdings Between Listed and Unlisted Firms Around the World?"

Henk Von Eije - University of Groningen, Netherlands

Discussant: Shantanu Banerjee - Lancaster University, United Kingdom

The main body of literature on firms' cash holdings focuses on listed firms. This paper extends the scope by comparing the cash holdings of both listed and unlisted firms and assessing the causes for differences between the two types of firms. The listing of a firm can have major effects on cash holdings. First, a listing improves the firm's financing opportunities and this may reduce the need for cash. Second, the listing may improve asset opportunities for a firm, which means that listed firms may hold more cash for transaction and precautionary motives. Third, agency costs may influence listed firms to under-hoard or over-hoard cash in comparison to unlisted firms. This paper finds that listed firms have cash ratios that are significantly higher than those of unlisted firms. Because the marginal contribution of cash to net income is on average larger in listed firms, over-hoarding can be ruled out. Therefore, improved asset opportunities are the major reason for higher cash ratios in listed firms.

"External Monitoring, Managerial Entrenchment, and Corporate Cash Holdings"
Shantanu Banerjee - Lancaster University, United Kingdom
Panagiotis Couzoff - Lancaster University, United Kingdom
Grzegorz Pawlina - Lancaster University, United Kingdom

Discussant: Frederiek Schoubben - Lessius University College, Belgium

We isolate monitoring and managerial entrenchment, which are two forces that affect shareholders' rights in opposite directions, to test their individual impact on the corporate cash holding decision. We develop a model of delegated cash management where both these forces, as well as their interaction, positively affect the level of cash holdings. We empirically test our predictions using a large sample of us firms and find strong evidence corroborating our hypotheses. Our results suggest that single corporate governance measures may not be able to disentangle the multiple effects of the range of notions they encompass.

"Does Competitive Discipline Influence the Value of Cash Holdings? Evidence from Western European Companies"
Frederiek Schoubben - Lessius University College, Belgium
Cynthia Van Hulle - University of Leuven, Belgium

Discussant: Daniel Havran - Corvinus University of Budapest, Hungary

The fact that country specific and firm specific governance characteristics strongly impact financial decision making, is well established. More specifically for cash policy, the value of cash holdings seems to be highest when the potential for agency conflicts is modest. The link between product market competition and financial policy is somewhat more ambiguous. Although competition has been shown to influence capital structure, its influence on cash policy is far more uncertain. In this paper we show, on a sample of listed western European firms, that product market competition not only influences the value of cash holdings but that it can also be considered a substitute for market discipline or shareholder protection. Our results provide new evidence that outside shareholders evaluate cash holdings not only based on their protection against expropriation by the management, but also based on the (perceived) usefulness of the cash buffer in the competitive environment.

"What Is the Precautionary Cash Value Globally?"
Daniel Havran - Corvinus University of Budapest, Hungary
Zsuzsa Huszar - National University of Singapore, Singapore

Discussant: Henk Von Eije - University of Groningen, Netherlands

While idle cash is costly for the firms, there are numerous advantages of large cash holding, such as ease of investment, management and reduced financial risk. We examine the costs and benefits of cash holding in financially constrained and unconstrained firms in conjunction with business cycles, globally. Consistent with Faulkender and Wang (2006), we find high cash holding for financially constrained firms creates value in most countries. More importantly, the value of the cash holding is mostly prevalent in the presence of good investment opportunities in the industry. In industries with declining investment opportunities, high cash holding does not create value, not even for financially constraint firms. Rather the financial constraint creates value by restricting suboptimal investment for financially constraint firms with low cash holding in declining industries. In addition, we show evidence of the benefits of large cash holding in unconstrained firms in economic distress.

SESSION 39 **Room 7**

ASSET PRICING II
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Salvaging the C-CAPM: Currency Carry Trade Risk Premia and Conditioning Information"
Abhay Abhyankar - The University of Edinburgh Business School, United Kingdom
Angelica Gonzalez - The University of Edinburgh Business School, United Kingdom
Olga Klinkowska - University of Aberdeen Business School, United Kingdom

Discussant: James Kolari - Texas A&M University, United States

We use a standard consumption-based asset pricing model incorporating conditioning information to explain the risk-return profile of currency carry trade portfolios. We use a scaled stochastic discount factor instead of scaled or managed portfolio returns as in previous work. Our conditioning variable is a forward-looking measure of net foreign assets. It arises from an intertemporal budget constraint and has predictive power for exchange rates. We find that our conditional consumption-camp is able to price a large part of the variation in cross-section of carry trade portfolios using cross-sectional as well as time series regression-based tests. Taken together, our results imply that the consumption-based models do still have a role to play in explaining excess returns on carry trade strategies.

"A New Asset Pricing Model Based on the Zero-Beta CAPM: The ZCAPM"
Wei Liu - Texas A&M University, United States
James Kolari - Texas A&M University, United States
Jianhua Huang - Texas A&M University, United States

Discussant: Lammertjan Dam - University of Groningen, Netherlands

This paper utilizes black's (1972) zero-beta camp to derive an alternative form dubbed the zcapm. The ZCAPM posits that asset prices are a function of market risk composed of two components: average market returns and cross-sectional market volatility. Market risk associated with average market returns in the camp market model is known as beta risk. We refer to market risk related to cross-sectional market volatility as zeta risk. To test zcapm theory, an empirical zcapm is developed from expectation-maximization (EM) methods. Using U.S.. Stock returns from January 1965 to December 2010, out-of-sample cross-sectional asset pricing tests demonstrate that zeta risk loadings are consistently significant at a high level across a variety of different tests assets. By comparison, other factors in popular three- and four-factor models are less significant and priced in some but not all test assets. We conclude that the zcapm is a robust asset pricing model.

"Asset Pricing with Fixed Asset Supply"
Lammertjan Dam - University of Groningen, Netherlands
Pim Heijnen - University of Groningen, Netherlands

Discussant: Christos Negakis - University of Macedonia, Greece

This paper argues that equilibrium restrictions play a far more important role in understanding asset price behavior than is commonly considered. To illustrate this, we develop a general equilibrium dynamic asset pricing model with two main features. First, asset supply (the number of outstanding shares) is fixed. Second, stochastic shocks are not modeled through an exogenous price process, but through a long term fundamental price. With these two assumptions, we solve for the endogenous price process such that supply equals demand in every period. While our model contains only three parameters that are fixed over time, we derive a return process that matches many stylized facts from the empirical literature (e.g. fat tails, arch, varying risk premium, mean reversion). Confronting the model with the S&P500 returns shows that the model fits the data very well.

"Methodological Issues on the Estimation of Price and Return Models"
Christos Negakis - University of Macedonia, Greece
Dimitrios Kousenidis - Aristotle's University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece

Discussant: Olga Klinkowska - University of Aberdeen Business School, United Kingdom

A common methodological issue in accounting literature is the choice between a price and a return model when estimating the relation between accounting data and stock prices. The econometric problems faced by researchers on estimating a model in levels (price model) make them turn to the estimation of a model in returns (return model), which is considered as a better model in statistical terms. On the other hand, the price model is considered as a better model in economic terms due to the fact that its estimated slope coefficients are closer to those implied by the theory. This study employs a methodological framework, which provides guiding on the estimation of price and return models. The framework also examines the effects of other factors on the estimation of price and return models such as cross-sectional dependency, heterogeneity, deflation and scale effects.

SESSION 40 **Room 8**

MERGERS AND ACQUISITIONS I
Session Chair: Canh Nguyen - Vietnam National University, Vietnam

"How to Implement a Deal? The Impact of CEO Characteristics on Synergy Realization of European Takeovers"
Katrien Craninckx - Lessius Antwerpen, Belgium
Nancy Huyghebaert - KU Leuven, Belgium

Discussant: Anna Faelten - City University, United Kingdom

This paper explores whether coo characteristics affect synergy realization for a sample of 231 intra-European takeovers of listed firms (1997-2007). We show that coo incentive alignment and coo skills indeed matter. The post-takeover performance improvement of the combined firm (ebitda) is significantly larger if the coo has an equity stake in the combined firm. This relation holds particularly for firms where the ownership structure is more dispersed. Longer tenured coos realize lower synergy value, consistent with the view that long-tenured coos may use their power in the acquiring firm to entrench themselves, while short-tenured coos have stronger career-based incentives to capture synergy value during the post-takeover period. We find no incremental impact of the educational background on synergy realization, but we do find that coos with prior business experience in the target industry generate a larger post-takeover performance improvement of the combined firm.

"M&A in the UK: A Study of Post-Transaction Shareholder Wealth Creation, Company Financial Performance and Employment"
Andrew Clare - City University, London, United Kingdom
Anna Faelten - City University, United Kingdom

Discussant: Martin Bugeja - University of Technology, Sydney, Australia

Using data spanning the period 1997 to 2007, in this paper we study the economic impact of 2,110 UK corporate takeovers. Our empirical work provides no convincing evidence to support policies aimed at reducing the level of M&A activity in the UK. We find instead that corporate takeovers add to shareholders' wealth in both the short and long term. We found no evidence that the acquirers' outperformance is driven by profitability or efficiency gains as a result of the takeover, but rather that they strengthen their relative positioning through increasing market share, as acquirers outgrow their peers both in terms of revenues and employment in the long term. The combined analysis of shareholder wealth creation, employment and changes in efficiency and profitability do not provide evidence that corporate takeovers is value destructive to the UK economy.

"The Psychology of Pricing in Mergers and Acquisitions: An Australian Perspective"

Martin Bugeja - University of Technology, Sydney, Australia
Raymond Da Silva Rosa - University of Western Australia, Australia
Ilya Redko - University of Western Australia, Australia

Discussant: Alain Chevalier - ESCP Europe, France

This study investigates whether the 52-week high share price acts a psychological reference point in Australian mergers and acquisitions. Preceding literature finds that the 52-week high share price acts as a psychological anchor for the offer price in takeovers, and as a reference from which target directors and shareholders evaluate an offer. We find evidence to support the role of the 52-week high share price in explaining the recommendation of target firm directors and influencing the outcome of takeovers. In contrast, the 52-week high price does not appear to be a good predictor of the offer premium and is not associated with the reaction of bidding firm shareholders to the takeover announcement.

"The Acquisition of non Public Firms in Europe: Bidders' Returns, Payment Methods and Stock Market Evolution"

Alain Chevalier - ESCP Europe, France
Etienne Redor - Audencia Nantes, France

Discussant: Katrien Craninckx - Lessius Antwerpen, Belgium

This paper studies the returns of non public firms acquisitions. Like the American studies do, we show the existence of a “non public firms acquisition effect” for the European multi-acquirer firms: abnormal returns are much higher for non-public firms (subsidiaries or private held firms) than for public firms. Our results also show that the returns are influenced by the stock market cycles: the returns are significantly higher when the market is bullish than when it is bearish. According to us, this result is consistent with heifer and Vishny (1988) and with Amihud and Lev (1981) and can be explained by agency phenomena. Indeed, we think that when the market is bearish, managers have incentive to compensate for the decrease of their income if it is index-linked to the performance of the firm, thanks to deals that will maximize their own wealth, at the risk of destroying value for their shareholders.

SESSION 41 **Room 1**

MARKET EFFICIENCY II
Session Chair: Robert Korajczyk - Northwestern University, United States

"Football and Stock Market Risk: Empirical Evidence the Istanbul Stock Exchange"
Mahmut Hakan Berument - Bilkent University, Turkey
Nildag Ceylan - Yildirim Beyazit University, Turkey

Discussant: Mehmet Karan - Hacettepe University, Turkey

There is an emerging but important literature on the effect of football events on stock market returns. After a loss of a football team that they support, agents discount the future events less favorably due to worse mood and decrease risk tolerance. This decreases the price of equity and stock market return. The opposite is also documented after a win. This study directly assesses the change in risk measure after a sport event. We hypothesize that results (wins and losses) of Turkish football (soccer) teams against foreign rivals affect the risk perception of the Turkish people. These hypotheses are tested for the international matches of turkey's three most popular national teams (Besiktas, Fenerbahce, and Galatasaray) using an egarch specification to model stock market volatility. The preliminary evidence suggests lower risk tolerance after a loss is observed however similar statistically significant evidence could not be found after a win.

"How Is the Firm Performance Related with R&D and Innovations?"
Hakan Ozdemir - TTGV, Turkey
Mehmet Karan - Hacettepe University, Turkey
Ozgur Arslan-Ayaydin - University of Illinois, United States
Aydin Ulucan - Hacettepe University, Turkey

Discussant: Vikash Ramiah - RMIT University, Australia

The aim of this study is to investigate R&D and technological innovation activities of Turkish firms. Therefore we study 106 firms that are granted with a specially designed loan by a Turkish government body to be invested in their R&D and technological innovation activities. First we employ a data envelopment analysis and detect that, between 2004 and 2008, 32 out of the 106 firms use their R&D loans efficiently and hence called as R&D-efficient. Next, to find out which firm attributions lead to being R&D-efficient we employ a binomial logistic regression methodology by using financial ratios and firm specific factors as independent variables. The results show that R&D-efficient firms are likely to have a higher leverage and inventory turnover ratios. Besides, in terms of firm-specific variables, r&d-efficient firms are more likely to be in the manufacturing industry, not located in the northwestern region of turkey and functioning in the technologically development areas.

"How Does the Stock Market React to the Announcement of Green Policies?"
Vikash Ramiah - RMIT University, Australia
Belinda Martin - RMIT University, Australia
Imad Moosa - RMIT University, Australia

Discussant: George Athanassakos - The University of Western Ontario, Canada

We investigate the impact of 19 enviro-political events on the equities listed on the Australian stock exchange over the period 2005 to 2011. Using well-established event study methodology, we assess whether these announcements are value constructive or destructive for equity investors in Australia. Additionally, we estimate the change in systematic risk following the move towards a greener world. Our results show that the Australian market was particularly sensitive to the carbon pollution reduction scheme (CPRS) announcement. The highest drop of 31% was recorded in the alternative energy sector after Australia submitted its target range to the copenhagen accord. We observe that a move towards a greener nation has a mixed effect on abnormal returns with apparent sector-by-sector differences. Green policies appear to affect the long-term systematic risk of industries, leading to the diamond risk phenomenon.

"Using Historical Financial Statements to Separate Winning from Losing Value Stocks in Canada: Inter-Listed vs. Non Inter-Listed Stocks"
George Athanassakos - The University of Western Ontario, Canada

Discussant: Nildag Ceylan - Yildirim Beyazit University, Turkey

The purpose of this paper is to determine whether there is value premium in our sample of Canadian non-interlisted and interlisted stocks for the period may 1, 1985-april 30, 2010 and to examine whether an additional screening to the first step of the value investing process can be employed to separate the good value stocks from the bad ones. We document a strong value premium, which persists in both bull and bear markets, as well as in recessions and recoveries for non-interlisted stocks, but less so for interlisted stocks. We also construct a composite score indicator, combining various fundamental and market metrics, which enable us to predict future stock returns and separate the winners from the losers among value stocks. We find that the return of a portfolio strategy that buys (sells) stocks that rank low (high) in the composite score indicator (ISMHS) has significant explanatory power in an asset pricing model framework, supporting the view that ISMHS is a priced factor.

SESSION 42 **Room 2**

PAYOUT POLICY I
Session Chair: David Rakowski - Southern Illinois University, United States

"Are There Any Changes in Dividend Policy Associated with Mergers and Acquisitions?"
Azilawati Banchit - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand
Daniel Choi - University of Waikato, New Zealand

Discussant: Michael Mckenzie - The University of Sydney, Australia

This paper empirically investigates the dividend policy following mergers and acquisitions for companies in Asian 5 markets. It is found that dividend policy increases significantly following M&A. A panel regression using weighted market return was also found to be positively significant which strengthens the notion that dividend policy as highly relevant to the investors in the emerging market.

"Selectivity and Sample Bias in Dividend Drop-Off Studies"
Michael Mckenzie - The University of Sydney, Australia
Graham Partington - The University of Sydney, Australia

Discussant: Puneet Prakash - Virginia Commonwealth University, United States

A large literature exists which estimates dividend values from the dividend drop off ratio around company ex-dates. This paper focuses on issues relating to sample selection and how this impacts on the drop off estimate. Specific issues considered are the impact of the market adjustment, thin trading, the size of the spread and tick relative to the dividend and dividend event day clustering. The results show that the drop off ratio is extremely sensitive to small changes in sample. Thus, rather than focus on deriving a point estimate of the drop off ratio, it may be more sensible to talk in terms of a feasible range.

"Why Did Non-Dividend Paying Firms Benefit More from the 2003 Dividend Tax Cut? Evidence from SEOs"
Puneet Prakash - Virginia Commonwealth University, United States
Nanda Rangan - Virginia Commonwealth University, United States
Dan Salandro - Virginia Commonwealth University, United States

Discussant: Laurence Booth - University of Toronto, Canada

This paper shows that for a sample of firms offering seos non dividend paying firms experienced larger valuation gains from the 2003 dividend tax cut as compared to dividend paying firms. Using a growth option valuation framework, our findings indicate that the growth option revaluation benefited the non dividend paying firms more. In particular, the book leverage exhibited a significant increase in the valuation of the option for non dividend paying firms, but not for dividend paying firms. The finding is consistent with theories of optimal leverage which contend debt reduces costs of overinvestment.

"The Impact of Globalization on Financial Policy: The Case of Disappearing Dividends"
Laurence Booth - University of Toronto, Canada

Discussant: Azilawati Banchit - University of Waikato, New Zealand

Globalization has had an enormous impact on the us economy. This paper looks at whether globalization is a factor that can partly explain the Fama-French (2001) disappearing dividends phenomenon. By using import penetration as a proxy for globalization, we show that firms facing more import competition are less likely to pay a dividend. Further, increasing import competition can explain about 40% of the disappearing dividends phenomenon and part of the observed substitution of share repurchases for cash dividend payments. We are the first to document such a dramatic impact of globalization on the dividend policy of us firms.

SESSION 43 **Room 3**

FUNDS II
Session Chair: Lawrence Kryzanowski - Concordia University, Canada

"A Performance Evaluation of Behavioral Mutual Funds"
Nikolaos Philippas - University of Piraeus, Greece
Fotini Economou - University of Piraeus, Greece

Discussant: Mahmod Qadan - Western Galilee College, Israel

This paper empirically examines the performance of mutual funds that employ principles of behavioral finance, known as "behavioral mutual funds". We examine a series of simple as well as risk adjusted performance measures in order to examine weather behavioral mutual funds outperform their benchmark indices and traditional mutual funds, using monthly data for the period January 2001-september 2011. We further contribute to the literature (Wright et al., 2006; Rinehart et al., 2007; Santoni et al., 2010) by examining behavioral mutual funds' performance in detail during the recent crisis period of 2007-2010.

"ETFs' Performance During Economic Crisis"
Mahmod Qadan - Western Galilee College, Israel
Joseph Yagil - Western Galilee College, Israel

Discussant: Nikolaos Milonas - University of Athens, Greece

We investigate the dynamics of etf pricing and how investors respond to tracking errors in the presence of high variability of the underlying assets. We apply an error correction model which incorporates a short-run adjustment mechanism on us etfs that follow industrial indices. We find that 2008 exhibited a significant imperfect tracking ability relative to 2006 and 2007. Furthermore, the tracking error and the daily volatility of the etfs exhibited positive correlation. Except for several etfs from the real estate, banking and finance sectors, etfs and their underlying assets are generally co-integrated, indicating an absence of arbitrage opportunities and long-term equilibrium.

"The Performance of German Fixed-Income ETFs in the Presence of the Debt Crisis"

Nikolaos Milonas - University of Athens, Greece
Gerasimos Rompotis - University of Athens, Greece

Discussant: Francis In - Monash University, Australia

The German government bonds attract fixed income investors as a safe heaven seeking refuge from the downgraded debt of other euro zone countries. We exploit this tendency to diagnose the performance behavior of German fixed income etfs in line to investment opportunities facing bond investors. In a sample of 38 German bond etfs during the period from their inception to the end of 2010, we find: 1) ETFS fail to deliver any positive excess return with respect to the market return and this persist on a quarterly basis, 2) etfs are associated with negative alphas, 3) a small size and a momentum effect on etf bond returns, and 4) a statistically significant tracking error of 0.06% which is persistent on a quarterly basis. Overall, our results provide the first empirical evidence on how German bond etfs behave with respect to the benchmarks and imply that fixed income investors using German bond etfs should apply allocation strategies to benefit from the size and momentum effects found.

"Diversification and Robust Measures of Tail Risk in Mutual Funds"

Francis In - Monash University, Australia
Woohwan Kim - Monash University, Australia

Discussant: Nikolaos Philippas - University of Piraeus, Greece

This paper examines the efficiency of market standard portfolios (Markowitz and Sharpe) through the effects of diversification and the tail risk of U.S. mutual funds by adopting higher moments and various robust measures of tail weight. We use the monthly returns of U.S. equity mutual funds from October 2009, to September 2011. By carrying out extensive simulations comparing conventional measures with robust measures, we find that market standard portfolios such as Markowitz and Sharpe ratio optimization portfolios are exposed to higher tail risk than naive portfolios. We also find that the diversification effect holds in naove portfolios, while Markowitz and Sharpe ratio optimization portfolios show little evidence thereof. We conclude that portfolio optimization based on only second moments leads to extremely non-optimal asset allocation when using robust measures of tail risk in mutual funds.

SESSION 44 **Room 4**

BEHAVIORAL FINANCE I

Session Chair: Martin Bugeja - University of Technology, Sydney, Australia

"A Proclivity to Cheat: How Culture Influences Illegal Insider Trading"

Bart Frijns - Auckland University of Technology, New Zealand
Aaron Gilbert - Auckland University of Technology, New Zealand
Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Discussant: Li Xie - Durham University, United Kingdom

Insider trading has been subjected to increasing sanctions in many markets without completely deterring insider dealing or even, on the basis of some evidence, making it more prevalent. This suggests that other factors may impact on the prevalence of insider dealing such as culture, a system of norms and values which may enhance or undermine the laws in place. We examine the impact of culture by relating the four hofstede (2001) cultural dimensions to the price and volume run-ups prior to a takeover announcement. Our results show that higher uncertainty avoidance, a proxy for risk aversion, deters insider dealing, although other cultural dimensions show little connection with insider trading. Our findings suggest that law makers may need to consider culture when establishing insider trading laws, specifically, stronger sanctions in low uncertainty avoiding countries.

"Accumulation of Large Foreign Reserves in China: A Behavioral Model of Optimal Decision Under Uncertainty"

Zhichao Zhang - Durham Business School, United Kingdom
Frankie Chau - Durham University, United Kingdom
Li Xie - Durham University, United Kingdom

Discussant: Ming-Chun Wang - National Kaohsiung First University of Science and Technology, Taiwan

The massive accumulation of foreign reserves by china has challenged the conventional thinking on prudent reserve management. The paper develops a behavioral model of optimal decision under uncertainty to explain the observed Chinese reserve policy. Departure from the consumption-based approach to utility maximization, the paper explicitly models the behavior of Chinese central banker who are influenced by loss aversion and narrow framing. Embedding the cognitive biases into the precautionary savings approach to holding reserves, the paper shows the behavioral optimality of Chinese reserve build-up and provides a plausible explanation of the dynamics of reserve accumulation in china, which is not well understood under conventional models.

"Investors' Type, Options' Characters and Mental Accounting: Evidence from the Taiwan Futures Exchange"

Yu-Jane Liu - Peking University, China
Ming-Chun Wang - National Kaohsiung First University of Science and Technology, Taiwan
Chia-Ying Chan - Yuan Ze University, Taiwan

Discussant: Robert Olsen - Decision Research, United States

We contribute to the extant literature by documenting evidence that investors are more susceptible to segregate gains and integrate loses which supports the hedonic editing rule. Further, when investors deal with their mixed outcomes, they obey another hedonic editing rule, that investors tend to integrate (cancel) small losses with larger gains. We further confirm this phenomenon exists in different type of investors and difference class of moneyness and duration.

"Trust: The Under Appreciated Investment Risk Attribute"

Robert Olsen - Decision Research, United States

Discussant: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Research indicates that perceptions of investment risk are multi attribute and depend heavily on individual goals and experience. Trust is a “psychological state comprising the intention to accept vulnerability based upon expectations of the intentions and behavior of the trusted party”. This brief paper is the first to empirically examine interpersonal trust as an attribute of individual investment risk perceptions.

EMERGING MARKETS III

Session Chair: Johan Knif - Hanken School of Economics, Finland

"Financial Market Openness and Monetary Control"

Bill Francis - Rensselaer Polytechnic Institute, United States
Delroy Hunter - University of South Florida, United States
Patrick J. Kelly - New Economic School, Russia

Discussant: Canh Nguyen - Vietnam National University, Vietnam

We examine whether emerging market liberalization led to a loss of local monetary control, rendering local monetary policy ineffective in influencing local asset prices and the economy. Using a structural VaR to model the reaction function of local monetary authorities in 25 emerging markets, we find that 18 stock markets respond significantly to local monetary policy shocks. A one standard deviation positive shock causes an immediate decline of 2.07% in stock prices. The evidence indicates that local monetary policy generally has no lesser influence on the stocks of investable firms than on the stocks of non-investable firms. While foreign monetary policy affects local asset prices there is no evidence that it dominates local policy. Moreover, foreign monetary policy has statistically indistinguishable effects on investable and non-investable stocks, suggesting that liberalization has not created a dichotomous equity market in which non-investable stocks remain segmented.

"Measuring the Effectiveness of Corporate Income Tax Investment Incentives for Domestic Companies in Vietnam"

Canh Nguyen - Vietnam National University, Vietnam
Hoang Tho Phu - Vietnam National University, Vietnam
Cung Tran Viet - Vietnam National University, Vietnam
Nick J Freeman - Asia Foundation in Vietnam, Vietnam
David Ray - Advisor to The Asia Foundation in Vietnam, Vietnam

Discussant: Susan Hume - The College of New Jersey, United States

This study attempted to measure the effectiveness of the current corporate income tax (CIT) investment incentives for domestic companies in Vietnam. To do so, we compared these investment incentives to the costs incurred (i.e., CIT revenue foregone) using a survey of 140 private, domestic companies in three locales in southern Vietnam: Tien Giang province, Binh Duong province, and Ho Chi Minh city. We estimated the redundancy rate of cit incentives (i.e. when tax incentives are provided to a company to encourage an investment, but the investment would have been made anyway, even without the incentives offered, resulting in a windfall gain for the company concerned, and effectively a subsidy by the government). Across the full sample, the resulting public subsidy equivalent (i.e. the amount of CIT revenue foregone for an equivalent amount of additional investment made as a result of the cit incentive) using the standard rate of CIT of 28% was between 62% and 75%.

"Regulatory Framework and the Latin American Micro-Finance Environment"

Susan Hume - College of New Jersey, United States
Kafele Boothe - College of New Jersey, United States

Discussant: Elena Fedorova - Lappeenranta University of Technology, Finland

Using data for 2009, this paper examines the borrowing costs and regulatory environment for microfinance in latin American countries. We provide an updated discussion of the regulatory framework in that region. We find evidence in that region that the regulatory environment is important to sustain portfolio returns, while investment climate and institutional development are not.

"What Kinds of Macroeconomic Announcements Affect Stock Markets in Emerging Eastern Europe?"
Elena Fedorova - Lappeenranta University of Technology, Finland

Discussant: Patrick J. Kelly - New Economic School, Russia

This study considers the impact of foreign and local macroeconomic announcements on emerging eastern European stock markets. Stock market and macroeconomic news from 2006

SESSION 46 **Room 6**

SEOS/IPOS I
Session Chair: Marti Subrahmanyam - New York University, United States

"The Puzzling Increase in UK SEO Fees"
Mario Levis - City University London, United Kingdom
Michele Meoli - University of Bergamo, Italy
Katrin Migliorati - University of Bergamo, Italy

Discussant: Fabrice Rousseau - National University of Ireland Maynooth, Ireland

This paper provides new evidence on the determinants of underwriting fees by re-examining the effectiveness of traditional drivers in the light of the recent financial crisis. Some insights arise on potential conflicts of interest between institutional investors and investment banks. We posit that institutional investors, beside information production role, may cover twin roles as both investors and sub-underwriters in the raising equity capital process as well. We shed some lights on the puzzling evidence of both underwriter reputation and discount variables on fees, finding that the discount of the top five prestigious investment banks increases gross underwriter fees during the turmoil period while an opposite effect is shown before the 2007 crisis. Our results are robust after accounting for the possibility that discount and gross underwriting fees may be endogenously correlated.

"Optimal Initial Public Offering Design with Aftermarket Trading"
Sarah Parlane - University College Dublin, Ireland
Fabrice Rousseau - National University of Ireland Maynooth, Ireland

Discussant: Miguel Sousa - University of Porto, Portugal

This paper characterizes an optimal iPod in the presence of distinct adverse selection problems: one affecting the pre-market and the other affecting the aftermarket. We show that aftermarket trading reduces informational rents but also generates some aftermarket rents when the shares are dispersed among heterogeneous investors. When informed clients can only gather informational rents, the optimal iPod resembles that of benveniste and spindt (1989) with the particularity that dispersion is optimal when aftermarket rents are low enough. But when these clients can also extract aftermarket rents, it is optimal to ration them for some values of the parameters and dispersion can be used to compensate clients with high appraisals for the stock.

"Is There Still a Berlin Wall in Post-Issue Operating Performance of European IPOs?"
Tiago Pereira - University of Porto, Portugal
Miguel Sousa - University of Porto, Portugal

Discussant: Ismail Gucbilmez - University of Edinburgh, United Kingdom

This paper studies the post-iPod operating performance of a sample of 555 European firms that went public between 1995 and 2006. Consistent with previous findings, we observe a decline in post-issue operating performance of iPod firms. However, firms located in European emerging countries perform worse than firms located in European developed countries, after the iPod. Our results suggest that this worse post-issue operating performance can be explained by a more aggressive use of accruals and a better timing of the iPod in order to coincide with a period of high operating performance.

"Leaders and Followers in a Hot IPO Market"

Shantanu Banerjee - Lancaster University, United Kingdom
Ismail Gucbilmez - University of Edinburgh, United Kingdom
Grzegorz Pawlina - Lancaster University, United Kingdom

Discussant: Katrin Migliorati - University of Bergamo, Italy

We model iPod timing decisions of firms. Our model's outcome suggests that leaders in hot markets are likely to have better growth opportunities, and that they may have to under-price their shares to signal their quality to investors. This implies that, within a hot market, average under pricing should be high initially, but should fall later on sharply. Indeed, while average under pricing is 34.24% in the first quarter of a hot market, it falls down to 17.59% in the second quarter and remains low in the remaining quarters. Moreover, firms that lead hot markets grow faster ex post, which is consistent with them having better growth opportunities. Overall, our model and empirical findings have broad implications for the literature on hot iPod markets.

SESSION 47 **Room 7**

INTERNATIONAL ECONOMICS

Session Chair: Martin Bohl - University of Muenster, Germany

"Equities' Exposures to Currencies: Beyond the Log-Linear Model"

Kris Boudt - KU Leuven / Lessius, Belgium
Fang Liu - CUFE, China
Piet Sercu - KU Leuven, Belgium

Discussant: Wendy Rotenberg - University of Toronto, Canada

It has been surprisingly difficult to demonstrate non-zero currency exposures for individual stocks, and a recent study even finds that the absolute value of estimated exposure is a better predictor than the value itself. We argue that the value of the international-trade option should be convex in the exchange rate so that exposure depends on the exchange rate level. Since spot rates move slowly, exposure could then differ substantially across samples. Many large companies, in addition, must be ambidextrous positively exposed in some activities, and negatively in others. We derive a class of tractable regression models and find that the standard jorion regression is often beaten by the proposed alternative.

"Foreign Exchange Derivatives, Foreign Currency Debt and Cross Listing: Evidence from Canada"

Robert Kieschnick - University of Texas, United States
Wendy Rotenberg - University of Toronto, Canada

Discussant: Lucyna Kornecki - Embry-Riddle Aeronautical University, United States

This study relates FX hedging decisions with both the nature of foreign operations and with the financing choices of firms. We find that a firm’s choice of FX derivatives is strongly influenced by the nature of its foreign business activities and is unrelated to whether it has cross listed equity. Also, the use of FX derivatives and foreign currency denominated debt are found to be complementary choices, but they are driven by different aspects of a firm’s foreign activities. Derivatives use relates more to foreign revenues while foreign currency debt use relates more to foreign assets. Finally we find that cross listing influences the extent of use of foreign currency debt but that the use of fx derivatives does not.

"Locational Factors Affecting Inward FDI Employment in the US Economy"
Lucyna Kornecki - Embry-Riddle Aeronautical University, United States
E. M. Ekanayake - Bethune-Cookman University, United States

Discussant: Piet Sercu - KU Leuven, Belgium

Foreign direct investment (FDI) represents an integral part of the US economy. The inward fdi constitutes important factor contributing to output growth and employment in the US economy. The introductory part of this paper focuses on an economic analyzes of inward us fdi flow and employment, by industry and states. The empirical part of this research investigates state based factors affecting the inward FDI employment among fifty states of the United States. This study uses annual data for the period of time from 1997 to 2007 and identifies several state-specific determinants of fdi employment. The results indicate that the major factors exerting positive impact on inward us fdi employment are: real wages, infrastructure, unionization level, educational attainment, fdi stock and manufacturing density. In addition, the results show that gross state product growth rate, real per capita taxes has negative impact on fdi employment.

SESSION 48 **Room 8**

MERGERS AND ACQUISITIONS II
Session Chair: Iraj Fooladi - Dalhousie University, Canada

"Motives for Takeovers: The Impact of Market Valuation and Takeover Waves"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Christodoulos Louca - Cyprus University of Technology, Cyprus
Eleni Sophocleous - Durham University, United Kingdom

Discussant: Abimbola Adedeji - University of Birmingham, United Kingdom

We study three main motives of takeovers, namely synergy, managerialism and hubris. Overall, results show that synergy is the predominant motive for us takeovers during the period 1980-2010. However, for takeovers with positive total gains, the hubris hypothesis coexists with the synergy hypothesis while for takeovers with negative total gains managerialism is the main hypothesis. Yet, different conclusions emerge when looking into sub-samples of takeovers, depending on (I) market valuation and (ii) takeover waves. Our findings show that synergy is the predominant motive for takeovers during the period 1980-2010. However, the main motives for (i) takeovers with positive total gains is comparing to takeovers with negative total gains, (ii) takeovers during booming periods comparing to takeovers during depressed periods, and (iii) takeovers during different merger waves, are significantly different.

"Are Cross-Border Acquisitions More Profitable than Domestic Acquisitions? Evidence from the UK"
Abimbola Adedeji - University of Birmingham, United Kingdom
Maha Ayoush - University of Birmingham, United Kingdom

Discussant: Angelo Aspris - University of Sydney, Australia

Many firms acquire targets abroad rather than targets in their own countries. This study checks whether cross-border acquisitions enhance the profitability of acquirers alone (as opposed to the profitability of acquirer and target firms combined) significantly more than domestic acquisitions in the UK. The study uses a sample of 286 cross-border, and 269 domestic, acquisitions made by firms listed on the London Stock Exchange during 1996 to 2003. Evidence observed shows that there was no significant change in the profitability of the acquirers after the domestic acquisitions, but that there was a significant reduction

in the profitability of the acquirers after the cross-border acquisitions. The evidence, therefore, implies that the cross-border acquisitions were significantly less profitable than the domestic acquisitions and raises questions about why the firms acquired targets abroad rather than targets in the UK.

"Does Insider Trading Explain Price Run-Up Ahead of Takeover Announcements?"
Angelo Aspris - University of Sydney, Australia
Sean Foley - University of Sydney, Australia
Alex Frino - University of Sydney, Australia

Discussant: Jean-Daniel Guigou - Luxembourg School of Finance, Luxembourg

Motivated by previous empirical findings which infer that a significant portion of the price run-up observed prior to takeovers is attributable to insider trading, we examine 450 takeovers of Australian firms between 2000 and 2009 to study the contribution of toehold timing to price run-up. We provide evidence that the acquisition of toehold stakes within thirty days of the formal takeover announcement generates significant pre-bid run-up in the target firm. Notably, an examination of price run-up for target firms where a toehold is established immediately prior to the takeover bid has a significant positive impact on the pre-bid run-up. The effects of this short-term toehold are able to explain a significant amount of the pre-bid run-up. This suggests that previous research may overstate the degree of insider trading implied by pre-bid price run-up.

"Collusion Under Asymmetric Incentive Compensation"
Patrick De Lamirande - Cape Breton University, Canada
Jean-Daniel Guigou - Luxembourg School of Finance, Luxembourg

Discussant: Eleni Sophocleous - Durham University, United Kingdom

This paper studies the possibility of collusion when firm owners delegate production decisions to managers and use incentive contracts to compensate them. To solve the model, we use the concept of balanced temptation introduced by Friedman (1971). Balanced temptation consists to allocate production between firms such that each of them have the same incentive to defect. Using relative performance evaluation, we find to collusion is harder to sustain in any nash equilibrium.

LUNCHEON

12:15-1:45 p.m.   Magnolia & Azalia

SESSION 49 **Room 1**

MARKET EFFICIENCY III
Session Chair: Tony Naughton - RMIT University, Australia

"Equity Options and the Efficiency of Underlying Stock Prices"
Benjamin Blau - Utah State University, United States
Tyler Brough - Utah State University, United States

Discussant: Sina Badreddine - Middlesex University, United Kingdom

Hou and Moskowitz (2006) create a parsimonious measure of price inefficiency, which they denote as delay and document that delay contains predictability in the cross-section of stock returns. This study tests whether the introduction of options reduces delay in the underlying security and the return premium commanded by delay. We find that the availability of options reduces delay indicating that the presence of options generally improves the efficiency of prices. Indeed, we find that option trading activity drives the reduction in delay. Additionally, we find that the delay's return premium markedly decreases after options list and is further decreasing in the level of post-listing option trading activity. Our results contribute to the literature by showing that the efficient markets hypothesis is more likely to hold when options are available and traded more heavily.

"Momentum, Liquidity and Volatility: What Is the Relationship?"
Sina Badreddine - Middlesex University, United Kingdom
Emilios Galariotis - Audencia Nantes School of Management, France

Discussant: Dennis Olson - American University of Sharjah, United Arab Emirates

Using UK data we examine whether momentum performance is conditional on liquidity and volatility. The results show that momentum returns are driven by the short positions in losers, who at the same time are consistently more volatile than winners. Most of the profits come from the first month of the strategy consistent with conservatism and representativeness as described in behavioral models (barberis et al, 1998). Liquidity cannot explain momentum returns, and industry volatility can only explain the performance of winners but not losers. Results are in line with Ang et al (2006), but to some extent contrary to Zhang (2006).

"Analyzing Volatility Behavior and Market Efficiency of UK Oil & Gas Sector"
Muhammad Surajo Sanusi - The Robert Gordon University, United Kingdom

Discussant: Tyler Brough - Utah State University, United States

This research is aimed at conducting an investigation on information efficiency and volatility behavior of stock returns in respect of UK oil and gas companies . In achieving its aim, the research will specifically test for the weak form market efficiency, and conduct volatility analysis to identify the extent of investment risk in oil sector of the London stock exchange. Various statistical tools used by previous scholars in testing the information efficiency of a stock market will also be critically evaluated. Data will mainly be collected from daily closing prices of fifty-four (54) oil and gas companies listed on the exchange. FTSE-100, ftse-all, FTSE-U.K. oil and gas, and FTSE-U.K. oil and gas production share indices will also be used for critical evaluation. Numerous statistical tools such as variance ratio test, generalized autoregressive conditional heteroskedasticity (ARCH) model, and co integration model will be employed.

PAYOUT POLICY II

Session Chair: Laurence Booth - University of Toronto, Canada

"Can the Information Content of Share Repurchases Improve Out-of-Sample Predictive Performance?"

Dimitrios Andriosopoulos - Swansea University, United Kingdom
Dimitrios Chronopoulos - University of St Andrews, United Kingdom
Fotios Papadimitriou - University of Southampton, United Kingdom

Discussant: Minji Song - KAIST, Korea

This paper examines whether out-of-sample predictive ability can be improved by adjusting the traditional dividend-price ratio for stock repurchases. We construct a measure of the total payout ratio using actual repurchase data from the UK and French financial markets. To facilitate a comparison with recent us studies which use proxies for repurchase activity, we also consider a second measure of the total payout ratio based on estimated repurchase data. Two major findings arise from our empirical analysis. Firstly, the total payout ratio, although a successful predictor of the equity premium in both markets, does not manage to produce better forecasts compared to the dividend-price ratio. Secondly, its proxy counterpart exhibits a variable performance across markets. Hence, our paper suggests that repurchase activity in the Europe may be independent of a firm's dividend policy and also, researchers should be cautious when employing estimated repurchase data in predictive regressions.

"The Frequency of Stock Repurchases and Detecting False Signaling"

Seung Hun Han - Korea Advanced Institute of Science and Technology, Korea
Minji Song - Korea Advanced Institute of Science and Technology, Korea

Discussant: Loic Belze - Emlyon, France

This paper examines the relationship between frequency of stock repurchase and its intentional false signaling of undervaluation. We find that firms that repurchase stock frequently are not undervalued or less undervalued than firms that repurchase stock infrequently, and they have higher agency costs than infrequent firms. The agency cost and industry-adjusted Tobin's q of the firms negatively affect the abnormal return on a stock repurchase announcement, and the agency cost and Tobin's q increase the probability of frequent stock repurchases. However, the probability of frequent stock repurchases is mitigated by board independence. Our results suggest that firms that repurchase stock frequently are not motivated by undervaluation but are more likely motivated by the false signaling effect.

"Neutralization of Corporate Governance Mechanisms: The Preventive Anti-Takeover Defenses in a Code Law Country"

Loic Belze - EMLYON, France
Geraldine Hottegindre - EMLYON, France
Mahbub Zaman - Manchester Business School, United Kingdom

Discussant: Sheng-Hung Chen - Nanhua University, Taiwan

This study analyses the neutralization of corporate governance mechanisms in a code law country where there is a lack of legal anti-takeover defenses. Their neutralization seems to be the unique defense for managers in this special context. The corporate governance mechanisms are divided into two categories: internal and external control mechanisms. In our research, the first ones are illustrated by the board, the second ones by the ownership structure and the financial structure. The neutralization of these corporate governance mechanisms is labeled preventive anti-takeover defenses. In a French context we can first stress that the board composition has a significant impact on takeover likelihood. Concerning the second

issue addressed we show that these preventive anti-takeover defenses have little impact on the ex post target manager removal. Only strategies focused on voting rights and firm performance can finally support the target manager will to protect his human capital.

"Corporate Governance, CEO Compensations, and Cross-Border M&A Synergies for Acquiring Bank"
Sheng-Hung Chen - Nanhua University, Taiwan
Yu-Jiun Shen - Nanhua University, Taiwan

Discussant: Dimitrios Chronopoulos - University of St Andrews, United Kingdom

This paper investigates empirically whether difference in corporate governance between acquirer and target bank through cross-border merger and acquisition (CD M&As) are associated with better or worse operating performance from short- and long-term perspective. Controlling for the endogeneity of cb m&a decision, acquiring bank with larger number of managing director in board would underperform as measured by takeover premiums of 1 day, 1 week, and 4 weeks. Furthermore, bidding banks with higher coo compensations are more like to have higher takeover premiums of 4 weeks, but this case does not hold in car and bhcar. Acquiring banks with higher coo compensations show higher likelihood to have lower takeover premiums. Larger board size difference between bidding and target are substantially harmful to bidding bank's long-term takeover synergies. Bidding banks with higher ratio of managing directors in their boards would enhance their longer-term post m&a performance.

SESSION 51 **Room 3**

LIQUIDITY I
Session Chair: Nikolaos Milonas - University of Athens, Greece

"Corporate Bond Liquidity Spreads and Japanese Banks' Risk Managements: A Comparison of Two Financial Crises"
Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Adam Kolasinski - University of Washington, United States

I first examine the different liquidity impacts of the Japanese-oriented financial crisis of the 1990s and the 2008 global crisis focusing on market/funding liquidities. I identify three key issues empirically. First, Japanese bond spreads are explained by the following factors: credit risk, macroeconomics, bond market liquidity, and banks' funding liquidity. Second, the liquidity impacts of the two financial crises are of completely different types. During the 1990s crisis, bond spreads were affected by two kinds of liquidities - market/funding, but during the global crisis, these were affected only by market liquidity. Finally, removing temporary paralytic periods of the Japanese bond market, Japanese banks' intermediary function is relatively sound and useful. Thus, Japanese banks, which are the main players in the bond market, do not face a funding liquidity problem, and bond spreads are not affected by funding liquidity. This is not the case for European or US bond spreads.

"Evidence on the Role of Security Market Liquidity in Transmitting Financial Contagion Across Broker-Dealers and Dealer Banks"
Jefferson Duarte - Rice University, United States
Adam Kolasinski - University of Washington, United States

Discussant: Darren O'Connell - Curtin University of Technology, Australia

We investigate the liquidity spiral channel of financial contagion across large broker-dealers and dealer banks during the crisis of 2007-2009. The liquidity spiral channel postulates that a single dealer failure causes a negative liquidity shock to bond markets, which curtails the ability of even sound dealers to access short-term funding markets, thereby threatening the latter's solvency. Supporting the channel, we find that an increase in the riskiest large dealer's cds spread granger-causes an increase in the us treasury off-the-run spread, a measure of market illiquidity uncontaminated by credit risk. An increase in the off-the-run spread, in turn, granger-causes even the safest dealer's cds spread to increase. We further find that a dealer's cds spread during the crisis is related to the off-the-run treasury spread even after controlling for individual exposure to crisis-precipitating assets, and this relation is stronger for dealers that rely more on short-term debt for funding.

"Distribution Fitting, Illiquid Securities and the Intrepid Risk Modeler"
Darren O'Connell - Curtin University of Technology, Australia
Barry O'Grady - Curtin University of Technology, Australia

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

The normal distribution is the most commonly cited of all the known probability distributions. This research highlights the importance of rejecting standard textbook theory which assumes that an asset's return should be normally distributed. We model the price process of two illiquid securities using Monte Carlo techniques to analyze price risk within a value-at-risk framework. We find that selecting a distribution closer to the real but unknown distribution the number and independence of violations occurring are better aligned to the theoretical expectation than had we relied on the normal distribution. The analytical framework was developed in excel using palisade's decision tools suite. By rejecting textbook theory, the resulting VaR models will be more accurate, sensitive to changes in external volatility, better able to anticipate variations in risk profile, and be more acceptable under the market risk stream of the Basel framework resulting in capital charge relief.

"Illiquidity Shocks and the Co-Movement Between Stocks: New Evidence Using Smooth Transition"
Patricia Chelley-Steeley - Aston University, United Kingdom
Christos Savva - Cyprus University of Technology, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

This paper extends the smooth transition conditional correlation model by studying for the first time the impact that illiquidity shocks have on stock market return co-movement. We show that firms that experience shocks that increase illiquidity are less liquid than firms that experience shocks that decrease illiquidity. Shocks that increase illiquidity have no statistical impact on co-movement. However, shocks that reduce illiquidity lead to a fall in co-movement, a pattern that becomes stronger as the illiquidity of the firm increases. These results have important implications for portfolio construction and also for the measurement and evolution of market beta and the cost of capital. We also find that illiquidity, friction, firm size and the pre-shock correlation are all associated with the magnitude of the correlation change.

SESSION 52 **Room 4**

BEHAVIORAL FINANCE II
Session Chair: Alireza Tourani-Rad - Auckland University of Technology, New Zealand

"Momentum Phenomenon in the Chinese Class A and B Share Markets: An Empirical Re-Investigation"
Taufiq Choudhry - University of Southampton, United Kingdom
Yuan Wu - University of Exeter, United Kingdom

Discussant: Gady Jacoby - Seton Hall University, United States

This paper empirically investigates the momentum phenomenon in two market segments of the Chinese stock market - the class a share market and class b share market. In particular, the understanding of the momentum phenomenon is expanded in the unique setting of the Chinese stock market by offering an extensive comparative view of the phenomenon in the class a and b share markets of the Chinese stock market over time period spanning from January 1996 to December 2008. Further, armed with various behavioral models in behavioral finance and experimental evidence from the field of psychology, the findings are put in a novel perspective. We find compelling evidence showing a dichotomy of the momentum phenomenon exists in the two market segments of the Chinese stock market. Specifically, the momentum phenomenon is pronounced in the Chinese class a share market, yet is largely subdued in the Chinese class b share market.

"Investor Sentiment and Asset Pricing"
Aron Gottesman - Pace University, United States
Gady Jacoby - Seton Hall University, United States
Yan Wang - Brock University, Canada

Discussant: Soosung Hwang - Sungkyunkwan University, Korea

In this paper we derive an asset-pricing model in which we consider sentiment traders with erroneous stochastic beliefs. Consistent with the empirical literature, this gives rise to a tradeoff between systematic sentiment risk and expected returns. Unique to our model, sentiment affects both the market risk premium and the factor loading. We show that sentimental noise is reflected in factor loadings associated with: (i) the commonality in asset sentiment and the market-wide sentiment; (ii) the return sensitivity to market-wide sentiment; and, (iii) the sensitivity of security-level sentiment to market return. We also examine the pricing of financial contagion due to the correlation between return sentiment on any two different assets, as well as due to the diffusion of sentiment across investors.

"Fishing with a License? An Empirical Search for Factors Using Individual Stocks"
Soosung Hwang - Sungkyunkwan University, Korea
Alexandre Rubesam - ITAU-Unibanco, Brazil

Discussant: Ania Zalewska - University of Bath, United Kingdom

For the last two decades, many risk-based and firm characteristics-based factors have been proposed as possible candidates that can be included in linear factor models. We develop a multivariate extension of a Bayesian variable selection, and calculate posterior probabilities of twelve factors using thousands of individual stocks in the us market. Our results indicate strong and robust evidence that a linear factor model should include the excess market return, the size and the liquidity factors, and only weak evidence that the idiosyncratic volatility and downside risk factors matter. We find that the famous Fama and French (1993, 1996) hml factor has high posterior probability only if portfolios formed on book-to-market ratio are tested.

"Sensitivity of Consumer Confidence to Stock Markets' Meltdowns"
Elena Ferrer - Public University of Navarra, Spain
Julie Salaber - University of Bath, United Kingdom
Ania Zalewska - University of Bath, United Kingdom

Discussant: Yuan Wu - University of Exeter, United Kingdom

Using European and US data over the period 1990-2010 we study the stock market - consumer confidence relationship (SM-CC). We argue that if consumers use stock markets to predict future economic conditions the sm-cc relationship should be weaker during stock market declines which are not followed by economic turbulence's. We use the post dot-com stock market crash and the stock market crash of the financial crisis to test our hypothesis. In contrast with the literature on financial illiteracy of consumers we find that consumers correctly interpret stock market meltdowns. We also find a strong information effect, i.e., Stock markets indirectly impact on consumers' expectations of household finances. This contrasts with previous studies which find that the information effect is weak or non-existent.

SESSION 53 **Room 5**

ECONOMETRICS
Session Chair: Ephraim Clark - Middlesex University, United Kingdom

"Pricing Interest Rate Derivatives Under Multi-Factor GARCH"
Xiaofei Li - York University, Canada
Nabil Tahani - York University, Canada

Discussant: Roselyne Joyeux - Macquarie University, Australia

This paper presents semi-closed-form solutions to a wide range of interest rate derivatives, such as options on discount bonds and on coupon bonds, options on the short rate, options on yield spreads and on a basket of yields. A multi-factor arch framework of the short rate and its variance components is considered. We define a generalized zero-coupon bond and derive the moment generating function (MGF) of the discount bond log-price. The solution method relies on Fourier-inverting the mgf to compute the cumulative probabilities. The solution is found very accurate and offers considerable savings in computation time when compared to Monte Carlo simulation.

"Macro Fundamentals as a Source of Stock Market Volatility in China: A GARCH-Midas Approach"
Eric Girardin - University Aix-Marseille, France
Roselyne Joyeux - Macquarie University, Australia

Discussant: Seppo Pynnonen - University of Vaasa, Finland

In order to shed new light on the influence of volume and economic fundamentals on the volatility of the Chinese stock market we follow the methodology introduced by Engle, Ghysels and Sohn (2009) and Engle and Rangel (2008). We show that the Chinese a-share market presented speculative characteristics before wto entry in late 2001. However, after that date macroeconomic fundamentals play an increasing role, especially for CPI inflation, and the influence of volume on the a-share index vanishes. The b-share market shows speculative characteristics since it was opened to domestic investors in 2001.

"Correlation and Heteroskedasticity Robust Long-Horizon Event Study Testing"
Johan Knif - HANKEN School of Economics, Finland
James Kolari - Texas A&M University, United States
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Jose Manuel Feria-Dominguez - Pablo De Olavide University, Spain

This paper introduces a parametric test for testing abnormal returns in long-horizon event studies. The proposed test statistic is robust to cross-correlation, event-induced volatility, and autocorrelation. Conditions under which the asymptotic distributions are well defined are discussed. Empirical performance of the proposed tests are compared against most popular existing tests. The results indicate that the testing approach proposed in the paper is well specified under the null hypothesis of no event effects in both random and non-random samples. Furthermore, the simulation show that the power in particular of the proposed parametric test outperforms the existing tests.

"Testing OPVaR Accuracy: An Empirical Back-Testing on the Loss Distribution Approach"

Jose Manuel Feria-Dominguez - Pablo De Olavide University, Spain
Enrique Jimenez-Rodriguez - Pablo De Olavide University, Spain
M. Paz Rivera-Perez - Pablo De Olavide University, Spain

Discussant: Nabil Tahani - York University, Canada

The application of the value at risk (VaR) concept to the loss distribution approach (IDA) is encouraged by the Basel committee for measuring the operational risk. Moreover, complementary analysis such as the back testing exercise plays an important role in assessing the excedancees beyond operational value at risk (opvar) forecasts and providing with valuable feedback on the soundness of such advanced measurement approach (AMA). In this paper, we conduct an empirical back testing analysis on the lda by using an internal operational losses database (IOLD) provided by a medium sized Spanish savings bank. We apply different techniques for carrying out the back tesing exercise: the basic analysis and extremal index, and more complex statistical methods such as kupiec and christoffersen's tests. Our empirical results bring into light that the application of the lda model for the savings bank analyzed would be rejected according to the regulatory framework.

SESSION 54 **Room 6**

SEOS/IPOS II

Session Chair: Tarek Miloud - Chambery Business School, France

"Private Placements to Owner-Managers: Theory and Evidence"

V. Ravi Anshuman - Indian Institute of Management Bangalore, India
Vijaya Marisetty - RMIT University, Australia
Marti Subrahmanyam - New York University, United States

Discussant: Silvio Vismara - University of Bergamo, Italy

We present an asymmetric information model to examine private placements issued to owner-managers. Our main conclusion is that allowing private placements to insiders can mitigate, if not eliminate, the underinvestment problem. Our model predicts that announcement period returns for private placements should be: (1) positive; (2) dependent on regulatory constraints that determine the issue price; (3) positively related to volatility; (4) negatively related to leverage; (5) negatively related to owner-managers' shareholdings (6) inversely related to proxies of manipulation; and (7) negatively related to illiquidity. We empirically test our model's predictions, along with others from literature, on a sample of private placements issued in the Indian capital markets during 2001-09 and report empirical evidence largely consistent with the model.

"How Do Underwriters Select Peers When Valuing IPOs?"

Stefano Paleari - University of Bergamo, Italy
Andrea Signori - University of Bergamo, Italy
Silvio Vismara - University of Bergamo, Italy

Discussant: Donia Trabelsi - Telecom Business School, France

Most of the IPOs are valued using multiples, and the selection of comparable firms leaves a high degree of responsibility to underwriters. Using a sample of French and Italian IPOs of the last decade, we compare the peers selected by underwriters with peers obtained from alternative matching methodologies. We find that underwriters tend to select peers with higher valuation ratios. We argue that they adopt such behavior to obtain higher iPod valuations that still look conservative, leaving satisfied both issuers and investors, and maximizing underwriting fees. We also provide evidence on the cross-sectional determinants of what we call the "underwriter’s hazard" in the selection of peers.

"Competitive Effect of Private Equity Backed Firms in Initial Public Offerings"
Saloua Bouzaidi - University Evry Val d'Essonne, France
Donia Trabelsi - Telecom Business School, France

Discussant: Winnie Poon - Lingnan University, Hong Kong

This paper analyses the effect of an initial public offerings (IPOs) of a private equity backed firm on its industry competitors. We show that the stock price of a firm in the same industry responds negatively to the iPod whether it is backed or not by a PE firm. However, industry competitors experience a more negative stock return reaction around the ipos when backed by a private equity firm (PE). We also investigate whether the quality of the private equity firm (experience and reputation) could have a different impact on the stock price movement of the rival firms. A PE firm with higher reputation and more experience will have more negative effect in competitor's stock price. We explore these assumptions using a data set including all IPOs occurred on the French stock exchange from 1994 to 2011.

"Does Having a Credit Rating Leave less Money on the Table When Raising Capital? A Study of Credit Ratings and Seasoned Equity Offerings in China"
Winnie Poon - Lingnan University, Hong Kong
Kam Chan - Western Kentucky University, United States
Michael Firth - Lingnan University, Hong Kong

Discussant: Marti Subrahmanyam - New York University, United States

We examine the impact of unsolicited credit ratings on seasoned equity offering (SEO) under pricing in China using issuer credit rating data of listed companies on the Shanghai and Shenzhen stock exchanges for the period 2002 to 2009. Our findings suggest that, after controlling for other factors, a seo firm in china with a credit rating is able to reduce its seo under pricing, on average, by 13.26% to 15.80%. In addition, the under pricing of an SEO firm that receives a speculative-grade credit rating is not significantly different from an seo firm with an investment-grade rating. Thus, seo firms appear to benefit from receiving an unsolicited rating. In general, credit ratings reduce information asymmetry and hence leave less money on the table when raising capital. This may lead firms to actively solicit credit ratings in the future, especially those who plan to access the capital markets.

SESSION 55 **Room 7**

COMMODITIES
Session Chair: Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

"Is the Convenience Yield a Good Indicator for a Commodity's Criticality?"
Christian Stepanek - University of Augsburg, Germany
Matthias Walter - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany

Discussant: Rangga Handika - Macquarie University, Australia

Due to a rapid growth in emerging markets the demand for commodities strongly increased in the past decade. For some commodities, this will have major impact on their future availability. Thus, to avoid disruptions in production processes and with it financial losses, the importance of assessing a commodity's criticality continuously increases for manufacturers. As most of the existing indicators for criticality have shortcomings regarding their predictive power, we analyze whether the convenience yield of commodity futures has predictive power on the future criticality. In the paper we used historical convenience yields from 3, 15, and 27 months futures contracts for five major industrial metals. We compared the convenience yields at the beginning of the contracts with known criticality indicators at the time of maturity. We found evidence that the convenience yield in general has predictive power on the static stock lifetime (inventory volume / turnover) and future spot prices.

"The Relationship Between Spot and Futures Prices: An Empirical Analysis of Australian Electricity Markets"

Rangga Handika - Macquarie University, Australia
Stefan Trueck - Macquarie University, Australia

Discussant: Anna Triantafyllou - Deree College, Greece

This paper presents an empirical analysis of the relationship between spot and futures prices in regional Australian electricity markets. Based on economic theory, we expect that the forward prices will be related to the expected spot price according to fundamental market expectations. Examining ex-post futures premiums, we find that Australian electricity markets exhibit positive and significant risk premiums for several of the considered regions such that futures prices cannot be considered as an unbiased estimator of the future spot price. We also show that there is strong and positive correlation between the observed futures premiums across different regional markets in Australia. Further investigating the issue, we find that for some of the markets the bias can at least partially be explained by the level, standard deviation, skewness and kurtosis of spot prices in the month prior to delivery.

"Is There a Lead-Lag Relationship Between Freight Rates and Stock Returns in the Dry-Bulk Shipping Industry?"

Ana Gusanu - Deree College Graduate School, Greece
Anna A. Merika - Deree College, Greece
Anna Triantafyllou - Deree College, Greece

Discussant: Andre Dorsman - VU University Amsterdam, Netherlands

The present study sets out to explore the lead-lag relationship between freight rates and stock returns in the dry bulk shipping industry. Based on two different company samples (US and Europe listed shipping companies), we construct two error correction models and find a clear lead-lag relationship between the two variables. In both cases, the stock index clearly leads the freight rates. This result is consistent with the extensive literature in financial economics that confirms the lead of financial markets over the real economy.

"Imperfection of Electricity Markets"

Andre Dorsman - VU University Amsterdam, Netherlands
Geert-Jan Franx - VU University Amsterdam, Netherlands
Paul Pottuijt - Gen Holding, Netherlands

Discussant: Christian Stepanek - University of Augsburg, Germany

In the past, energy networks (grids) were nationally organized. Market coupling links the former nationally organized markets, which may cause a reduction in the volatility of the energy prices. At first the tsos (transmission system operator) sold connector capacity by so called explicit auction, separate from the electricity auction. In due time they are replaced by so-called implicit auctions (or market coupling), here the interconnectors capacities are automatically allocated in such a way that electricity price differences between countries are minimized in this paper the effect of market coupling on market prices is investigated in the observed period, January 1 2005- march 31 2011, for Scandinavia (south); the Netherlands, Belgium and France. We find that due to market coupling the price differences between the markets diminish.

COST OF EQUITY CAPITAL
Session Chair: John Hall - University of Pretoria, South Africa

"Un-Levered Betas and the Cost of Equity Capital: An Empirical Approach"
Mehdi Sadeghi - Macquarie University, Australia
Julio Sarmiento-Sabogal - Macquarie University, Australia

Discussant: Hubert De La Bruslerie - University Paris Dauphine, France

Current paper investigates the significance of financial leverage in computation of systematic risk within the context of camp model. First, we attempt to test whether variables such as growth rate, target leverage, and the proper rate of discounting tax shields affect unlevered betas (bu). Second, investigate whether utilizing the basic idea behind bu would help to overcome the information shortfalls in calculating the cost of capital for non-traded firms. We develop a model that allows us to empirically test these assumptions. Our results suggest that the use of the levered proxy betas in solving the lack of market information problem for both non-traded firms and individual business units is not misleading, even when we use book value of debt instead of market-values. We also find more support in statistical performance term for Modigliani-Miller (1958, 1963) assumptions in in calculating (bu) compared with Miles and Ezzel (1985) model.

"Decreasing Term Structure of Psychological Discount Rates: Experimental Estimation and Determinants"
Hubert De La Bruslerie - University Paris Dauphine, France

Discussant: Timothy Whittaker - Griffith University, Australia

A lot of empirical and behavioral studies identify a decreasing slope in the term structure of subjective discount rates. Using an experimental new methodology based on "free time" relative comparisons, this paper aims at identifying in individual behaviors whether agents see their psychological value of time decreasing or not. We elicit subjective discount rates with negatively sloped term structures. They can be parameterized using two variables, one specifying the instantaneous time preference, the other characterizing the slope of the term structure. A trade-off law called "balancing pressure law" is identified between these two parameters. We show that the term structure of psychological rates depends strongly on gender, but appears not to be linked with life expectancy. We also question the cross relationship between risk aversion and time preference. From a theoretical point of view, these two variables stand as two different and independent dimensions of choice.

"Idiosyncratic Risk of Public Private Partnerships (PPPs)"
Timothy Whittaker - Griffith University, Australia
Robert Bianchi - Griffith University, Australia
Michael Drew - Griffith University, Australia
Eduardo Roca - Griffith University, Australia

Discussant: Maritana Sedysheva - Estonian Business School, Estonia

This study examines the role of idiosyncratic risk in Australian equity returns. In the Australian setting, listed firms with high idiosyncratic risk exhibit low subsequent returns which is consistent with Ang, Hodrick, Xing and Zhang (2006 ,2009). This study shows that even after controlling for liquidity bias as per Han and Lesmond (2011), firms with high idiosyncratic risk have low subsequent returns. This paper then examines the idiosyncratic risks of PPPs listed on the Australian stock exchange. This study provides evidence that demonstrates that the idiosyncratic variance of listed PPPs during the construction phase is lower than the average market idiosyncratic risk. Once construction is completed and operations

begin, the risk of a PPP increases dramatically. This is the period with the highest idiosyncratic variance. This provides evidence that risk for these projects is time-varying which has major valuation implications.

"The Utility Function: New Strategic Approach to Optimal Budgeting in the Estonian Defense Forces"

Maritana Sedysheva - Estonian Business School, Estonia

Discussant: Julio Sarmiento-Sabogal - Macquarie University, Australia

The present paper proposes tasks and methods which can be used in process of discovering the most expedient variants of the perspective and effective strategy development process of the defense spending in the republic of Estonia. The author offers a mathematical model as one of the improvement tools for the system of planning military expenditures and effective utilization of budgetary funds. Also the new term "utility function" is added. The utility function will allow the Estonian defense forces to overcome important barriers to strategy implementation by interrelation of military planning and budgeting processes. The author establishes a new strategic method of controlling the military expenditure in the Estonian defense forces by using the mathematical model and methods. One suggestion for further research would be to improve and to develop methods of using utility function in the decision-making process.

Refreshments 3:30-3:45 p.m.

SESSION 57 **Room 1**

MICROSTRUCTURE
Session Chair: James Kolari - Texas A&M University, United States

"Short Selling Bans and Banking Share Price Dynamics: Tick by Tick Empirical Evidence from the Australia Stock Market"
Xiao Wang - RMIT University, Australia
Malick Sy - RMIT University, Australia
Tony Naughton - RMIT University, Australia
Terrence Hallahan - RMIT University, Australia

Discussant: Marios Panayides - University of Pittsburgh, United States

In September 2008, the Australian stock exchange introduced a ban on short selling activity. This study uses tick by tick data to analyze the impact of the ban on banking share price returns and share price volatility. We also explore the impact of the ban on market liquidity by examining the behavior of bid-ask spreads and trading volumes. we use event study methodology and distinguish between equal-weighted and market-weighted averages. We are able to compare the impact of the ban on banned stocks and non-banned stocks identified as control stocks. We compare performance prior to the ban, during the period of the ban, and in the period subsequent to the ban. Overall, we find evidence that the ban lead to an increase in abnormal return, decrease in volatility, widened spread and reduced trading volume.

"Do Financial Analysts Restrain Insiders' Informational Advantage?"
Andrew Ellul - Indiana University, United States
Marios Panayides - University of Pittsburgh, United States

Discussant: Kerry Pattenden - Univeristy of Sydney, Australia

We investigate the competitive relationship between financial analysts and firm insiders for price-sensitive information and its influence on liquidity and price discovery. Without the presence of analysts, insiders have a complete monopoly over information. When analysts compete for information they can reduce insiders' informational advantage with a consequent improvement in traders' welfare. We empirically investigate this hitherto unexplored role of analysts by examining stocks that lost all analyst coverage, giving insiders complete monopoly over price-sensitive information. We use a difference-in-difference methodology and an instrumental variable approach to address endogeneity in coverage termination. We find that complete coverage termination leads to significant changes in liquidity and market equilibrium: liquidity decreases, price efficiency deteriorates rapidly, information asymmetries increase, and institutional shareholders leave the stock.

"Regulation: Is Mifid Good for All Traders?"
Frank Sensenbrenner - University of Sydney, Australia
Kerry Pattenden - Univeristy of Sydney, Australia

Discussant: Michal Czerwonko - McGill University, Canada

Regulation is considered both a blessing and a curse depending on whom it is considered to favor. This paper examines the role of mifid and computerized trading requirements and opportunities in setting level playing field transactions costs for all traders through fragmentation mifid and the new multilateral trading facilities offer a controlled setting for examining these issues.

"Tick Size, Microstructure Noise and Volatility Inversion Effects on Price Discovery in Option Markets: Theory and Empirical Evidence"

Michal Czerwonko - McGill University, Canada
Nabil Khoury - University of Quebec, Canada
Stylianos Perrakis - Concordia University, Canada
Marko Savor - University of Quebec, Canada

Discussant: Tony Naughton - RMIT University, Australia

We document both theoretically and empirically a major dependence in both the information shares (IS) and component shares (CS) approaches to the estimation of the price discovery metrics on the errors arising out of the inversion method of the option value to find the implied stock price. We then introduce accurate inversion methods that result in a major increase in the information shares of option markets for both is and cs metrics compared to the dominant lagged implied volatility (iiv) inversion method. We apply these insights by examining the impact of the tick size reduction introduced by the cboe in 2007 in its second pilot program on the simultaneous price discovery process in the markets for options and their underlying securities. In all cases we document a major impact of the tick size reduction in the option market that increases the option market information shares for all metrics and all inversion methods.

SESSION 58 **Room 2**

REAL OPTIONS

Session Chair: Michael Naylor - Massey University, New Zealand

"R&D Growth Options and Firms' Systematic Risk"

Nicos Koussis - Frederick University Cyprus, Cyprus
Michalis Makrominas - Frederick University Cyprus, Cyprus

Discussant: Michael Naylor - Massey University, New Zealand

In this study we examine the impact of growth options on systematic risk. We use several proxies for growth options, all of which confirm a positive relationship between systematic risk and growth options. Consistently with the notion that higher R&D, volatility and lower book to market are associated with higher growth option value, we find a positive association of these variables with systematic risk. Higher advertising intensity, which relates to option exercise, is associated with lower betas.

"Real Options in Foreign Investment: A South American Case Study"

Michael Naylor - Massey University, New Zealand
Jeffrey Boardman - Massey University, New Zealand

Discussant: Alejandra Cabello - Universidad Nacional Autonoma De Mexico, Mexico

The levels of foreign investment globally have increased at a rapid pace during recent years. However valuing these investments is complex and involves additional risks. We argue that foreign investment opportunities can often be best structured as a series of investment options, and thus the investment appraisal should often be carried out using a real options framework. The ability to expand globally is now a core corporate skill. Quality appraisals will assist businesses to make fundamentally better capital budgeting decisions. We illustrate the use of real option investment appraisal via a case study re-traces force corporation's troubled investment via village south America in Argentina. A FDI investment decision is recreated and evaluated.

"Emerging Markets Multinational Corporations International Acquisitions: Real Options Valuation"

Alejandra Cabello - Universidad Nacional Autonoma De Mexico, Mexico
Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

Discussant: Tomasz Kasprowicz - Gemini, Poland

CEMEX, has become the third largest cement corporation worldwide. Growth has been largely based in feverish acquisitions of other competitors in Mexico and both developed and developing countries. Indeed, the 2000-2007 period can be characterized by an aggressive acquisitions strategy and increasing debt financing. Preliminary results apparently justified the purchases of RMC (UK) and rinker (Australia), but future flows might be insufficient to fulfill its international obligations and expected growth strategies. To test the viability of cemex expansion plans this paper applies real options theory, concretely the binomial approach for the case of a compound growth option. The value of the call option and the extended net present value of purchasing rmc and rinker is determined estimating the behavior of future corporate flows by the Monte Carlo technique. The evidence shows that even under an optimist scenario cemex would experience severe liquidity problems in the medium term.

"Threshold Theory - Modeling Risk Attitude"

Tomasz Kasprowicz - Gemini, Poland
Andrzej Bednorz - Gemini, Poland

Discussant: Nicos Koussis - Frederick University Cyprus, Cyprus

In this paper we offer an alternative framework for examining why risk matters in the decisions of economic agents, and how the agent’s risk attitude affects his decisions. This "threshold theory" framework is based on a real options approach and the observation that in many situations an agent faces one or more thresholds in the payoff function. These thresholds influence the agent's risk attitude. The theory's predictions help to explain many anomalies that standard expected utility model cannot. Threshold theory can also model behavior in contexts such as individual investor decisions, corporate governance and other agency problems. Further, we examine coo decisions as a function of time to the retirement to test predictions of the theory. Finally, we look into relationship between threshold theory and football strategies.

SESSION 59 **Room 3**

LIQUIDITY II

Session Chair: Mehmet Karan - Hacettepe University, Turkey

"Trade Transparency and Liquidity"

Yinghua He - Toulouse School of Economics, France
Ulf Nielsson - Copenhagen Business School, Denmark
Hong Guo - Shanghai Stock Exchange, China
Jiong Yang - Shanghai Stock Exchange, China

Discussant: Stefan Prigge - Hamburg School of Business Administration, Germany

The paper empirically explores whether more trade transparency improves or deteriorates market liquidity. The analysis takes advantage of a unique setting in which the shanghai stock exchange offered more trade transparency to market participants subscribing to a new software package. On average, this is found to increase turnover, but widen bid-ask spreads. However, liquidity outcomes vary significantly - both in terms of sign and size - as the number of software subscribers gradually increases over time. The dependence on the number of informed traders in the market implies that the same transparency enhancing policy can in principle have markedly different liquidity outcomes across markets.

"Valuation Quality of Evolving Secondary Markets for Formerly Illiquid Assets: The Case of German KG Ship Funds"

Andre Kuester Simic - HSBA Hamburg School of Business Administration, Germany
Stefan Prigge - Hamburg School of Business Administration, Germany

Discussant: Mahir Alman - Bamberg University, Germany

German kg ship funds are a very important vehicle for investing in, and financing of, shipping. Kg shares are not designed for being traded. Investors would require lower expected returns, e.g., cost of capital would be lower, if investors could sell their kg shares at secondary markets at prices reflecting the fundamentals of their asset. In recent years several secondary markets for kg shares have come into existence in Germany. However, activity is still moderate. To the best of our knowledge, this is the first empirical investigation of the valuation quality of secondary markets for kg shares in ship funds. Using a small sample of container ship funds, we find that in sum the three price-relevant fundamentals considered in our analysis - ship prices at second-hand market, value of fixed charter contract and minimum value of the option to continue chartering - explain about 70% of the variations in the secondary market valuations of the fund ship.

"Liquidity Transformation Factors of Islamic Banks: An Empirical Analysis"

Mahir Alman - Bamberg University, Germany
Andreas Oehler - Bamberg University, Germany

Discussant: Katerina Lyroudi - University of Macedonia, Greece

Islamic banks face restrictions in refinancing due to the guidelines of the shari'ah and the lack of refinancing sources. For bank level data from Islamic countries, we analyze the influence of financial system and institutional characteristics of Islamic banks on their liquidity creation. Our results reveal evidence that liquidity transformation is affected negatively by the regulation of Islamic banks. The specifics of Islamic banks' liquidity creation are strongly supported by our comparison to a control group of interest-based western banks. We find that liquidity transformation of Islamic banks is strongly positively determined by bank size as well as negatively by loan portfolio risk-taking especially. While risk-aversion for Islamic banks from non-gecko increases with stronger capitalization, we find the ability of risk-absorption for small Islamic banks or which are based in gecko due to higher specialization and capitalization, leading to positive liquidity creation.

"An Investigation of the Companies' Liquidity and the Factors Affecting It: The Case of Poland"

Katerina Lyroudi - University of Macedonia, Greece
Monika Rychter - University of Lodz, Poland

Discussant: Ulf Nielsson - Copenhagen Business School, Denmark

This study investigates empirically the liquidity and working capital management of non financial companies in Poland. The accurate measurement of liquidity and its consequences for the value of a firm is a major issue for managers and academicians. For the examination of the testable hypotheses we use correlation and regression analysis. The results indicated that liquidity is a multidimensional concept, hence both static and dynamic measures are needed to analyze a company's liquidity. In summary, the profitability and the ccc were negatively related, the size of the company was negatively related to liquidity and the cash flows had no linear relationship with the three liquidity measures of the ccc, cr and qr, but had a positive relation with the most liquid assets, the variable c. The debt of the companies affected negatively their liquidity.

BEHAVIORAL FINANCE III

Session Chair: Soosung Hwang - Sungkyunkwan University, Korea

"Cash Hoards and Managerial Overconfidence"

Shih-Yun Huang - Aston University, United Kingdom
Neophytos Lambertides - Cyprus University of Technology, Cyprus
James Steeley - Aston University, United Kingdom

Discussant: Anna McAdam - University of Plymouth, United Kingdom

The cash holdings of both overconfident and rational managers have increased over the last two decades. But, overconfident managers hold more cash on average than rational managers. This is consistent with both theory and evidence that overconfident managers are reluctant to use external funds, which they believe under-value their company. We find that overconfident managers have different saving motives. They hoard cash for r&d spending, using more cash for bigger deals. By contrast, they hold fewer inventories and receivables and their precautionary demand for cash holdings is less than for rational managers. We conclude that managerial overconfidence influences and adds to our understanding of why firms hoard cash.

"An Investigation of Australian Takeover Firm Returns from an Investor Viewpoint"

Anna McAdam - University of Plymouth, United Kingdom

Discussant: Anastasios Kagkadis - Durham University, United Kingdom

This study employs Australian market data to investigate takeover returns from an investor viewpoint. Examining trading behavior, share price impact, and apportionment of wealth gains for four investor classes, the evidence confirms investors realize a return commensurate with their information level. The evidence supports that takeover gains vary by investor type and whether their trade is aggressive or passive, as well as if an investor class is informed. An unexpected outcome is that individuals represent an informed trader who realize a superior return result. An additional unexpected outcome is that nominees represent a sophisticated but uninformed trader who realize a negligible return but who are responsible for the target firm share price movement. This paper contributes to the literature by going beyond the standard "target-bidder" firm dichotomy. An additional contribution is evidence of causal investor behavior which accounts for their takeover wealth gain result.

"Corporate Diversification and Managerial Overconfidence"

Panayiotis Andreou - Cyprus University of Technology, Cyprus
John Doukas - Old Dominion University Graduate School of Business, United States
Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Shih-Yun Huang - Aston University, United Kingdom

This study investigates the role of managerial overconfidence in the context of corporate diversification decisions. First, we find that overconfident managers are more likely to manage diversified than focused firms. Second, we find that the diversification discount is concentrated exclusively in companies managed by overconfident managers. Third, we document that the discount is greater following diversification and, most importantly, it persists for several years only for firms managed by overconfident managers. Our evidence is consistent with the view that overconfident managers miscalibrate benefits/costs associated with diversification decisions and perceive them as invariably value-creating.

"Firm Performance and Ownership by Financial Institutions: The Case of Cyprus"
Konstantinos Chatzimichael - Cyprus University of Technology, Cyprus
Chrysovalantis Gaganis - University of Crete, Greece
Fotios Pasiouras - Technical University of Crete, Greece
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Constantin Zopounidis - Technical University of Crete, Greece

Discussant: Panayiotis Andreou - Cyprus University of Technology, Cyprus

The present study investigates the impact of the relationship between financial institutions (fis) and non-financial firms on the performance and growth of the latter, while focusing on Cyprus. To the best of our knowledge, most of the existing studies examine major advanced countries (e.g., Japan, Germany), and there is no study focusing on Cyprian firms. However, there are a number of reasons that make Cyprus an interesting case study. Within this context, we regress profitability and growth on indicators of the relationship between fis and non-financial firms (e.g. the share of fi-ownership, number of bankers, extent of bank loan financing), while controlling for other firm-specific variables (e.g. Liquidity, size, etc.). The results could be of interest to various stakeholders such as managers, stockholders, and policy makers.

SESSION 61 **Room 5**

EXCHANGE RATES
Session Chair: Seppo Pynnonen - University of Vaasa, Finland

"Nonlinear Dynamics of Exchange Rate Returns: A Multi-Country Experience"
Muammer Wali - Curtin University, Australia
Felix Chan - Curtin University, Australia
Meher Manzur - Curtin University, Australia

Discussant: Yacine Belghitar - Middlesex University, United Kingdom

This paper examines the presence of nonlinear behavior in exchange rates of 31 countries, majority of which are less liquid in the foreign exchange market and maintain a floating exchange rate system. The results, based on formal test procedures, provide evidence of nonlinear behavior in the residuals from both structural and time series models of exchange rates. Further analysis is carried out in terms of sample-specific economic factors to explain the results.

"The Effect of Exchange Rate Movements on the Share Price Performance of UK SMEs"
Yacine Belghitar - Middlesex University, United Kingdom
Ephraim Clark - Middlesex University, United Kingdom
Salma Mefteh - ESSCA School of Management, France

Discussant: Jose Rossi - Insper Institute of Education and Research, Brazil

This paper examines the effect of changes in the value of the pound on the share price performance of U.K. small and medium-sized enterprises (SMEs) for the period 1998-2009. We find that the share price of all firms in our sample, both those with and without foreign sales, have statistically significant exposure to changes in the exchange rate. The effect of this exposure is significantly price reducing with no significant difference between firms with foreign sales and those without. These results are robust with respect to all three currencies under consideration as well as across the individual industrial sectors.

"Understanding Brazilian Companies' Foreign Exchange Exposure"
Jose Rossi - Insper Institute of Education and Research, Brazil

Discussant: Sam Agyei-Ampomah - University of Surrey, United Kingdom

The paper analyzes the exchange rate exposure of a sample of non-financial Brazilian companies from 1999 to 2009. The results confirm the importance of using nonlinear models to address companies' exchange rate exposure. The results indicate that when compared to the linear model commonly used in literature, the nonlinear model leads to an increase in the number of firms exposed to exchange rate fluctuations, which allows a more accurate analysis of the impact of exchange rate fluctuations on the value of firms. In addition, the paper shows that exporters and companies that hold foreign currency denominated debt are more likely to be exposed to exchange rate fluctuations and that the nonlinearity of companies' foreign exchange exposure is associated with the use of foreign currency derivatives.

"The Foreign Exchange Exposure of the UK Non-Financial Firms: A Comparison of Market-Based Methodologies"
Sam Agyei-Ampomah - University of Surrey, United Kingdom
Khelifa Mazouz - University of Bradford, United Kingdom
Shuxing Yin - The University of Sheffield, United Kingdom

Discussant: Meher Manzur - Curtin University, Australia

We use a sample of 269 UK non-financial firms to study the sensitivity of foreign exchange exposure and its determinants to the estimation methods. The standard Jorion model suggests that only 24.45% of the sample firms are exposed to the fluctuations in the Bank of England’s nominal trade weighted currency index (TWC). It also indicates that 30.5% of our firms are exposed to at least one of the three major currencies (the US$, the Euro or the JP¥). We show that the lack of a strong empirical association between currency fluctuations and stock returns in previous studies is the outcome of a bad model problem. This study also shows that the determinants of currency exposure are model dependents.

SESSION 62 **Room 6**

SEOS/IPOS III
Session Chair: Yakov Amihud - New York University, United States

"Large Shareholders and Disclosure Strategies: Evidence from IPO Lockup Expirations"
Yonca Ertimur - Duke University, United States
Ewa Sletten - Boston College, United States
Jayanthi Sunder - University of Arizona, United States

Discussant: Sabri Boubaker - Champagne School of Management, France

We examine the effect of large shareholders' selling incentives on a firm's voluntary disclosure choices. We use the setting of iPod lockup expirations to identify large, influential shareholders with strong ex ante selling incentives because lockup expiration is associated with large scale selling by pre-iPod shareholders. Consistent with firms following a disclosure policy favoring the selling incentives of pre-iPod shareholders, we find that firms are more likely to delay the disclosure of bad news in the lockup expiration quarter and that this effect is concentrated among firms with venture-capital backing, high levels of expected selling, high uncertainty and low litigation risk. We also document that by delaying bad news, firms both avoid the negative returns associated with the news and also mitigate the price impact of selling around lockup expiration. Finally, we rule out managers' personal gains from insider trading as a motive for the disclosure strategy.

"The Sources of Shareholders' Wealth Gains from French Going Private Transactions: The Role of the Largest Controlling Shareholders"

Sabri Boubaker - Champagne School of Management, France
Alexis Cellier - Université Paris EST, France
Wael Rouatbi - DEFI, Tunisia

Discussant: Tarek Miloud - Chambery Business School, France

The present study investigates the sources of shareholders' wealth gains -as measured by premiums and cumulative abnormal returns- from French going private transactions (hereafter gpts). The empirical findings indicate that the reduction of pre-going private agency costs of separating ultimate cash flow and control rights is an important determinant of these gains. The results also suggest that the presence of multiple large shareholders reduces the pre-going private agency costs, leading to low operating performance improvements after the delisting. Additional findings show, on the contrary to undervaluation, that the tax incentives, the avoidance of listing costs and the expected reduction of free cash flows do not seem to be sources of wealth gains for shareholders.

"Earnings Management and Initial Public Offerings: Evidence from the French Market"

Tarek Miloud - Chambery Business School, France

Discussant: Pascal Nguyen - University of Technology, Sydney, Australia

This paper studies the presence of earnings management in initial public offerings (ipos) of French firms. When the aim of earnings management is to increase the attractiveness of the offered shares it needs to go undetected by market participants. This invisibility makes earnings management difficult to detect from the income statement and the balance sheet, thus investors would benefit from other information that reveals the probability of earnings management. Managers' and owners' incentives to manage earnings are used to assess the likelihood that earnings management is used before the iPod. Earnings management is tested by observing time-series profiles of accruals. The sample consists of French firms that went public in the years 1995 to 2008 on the euro next Paris exchange. The results suggest that iPod firms where significant under-performance for iPod firms with the highest discretionary current accruals.

"Multiple Large Shareholders and Corporate Risk-Taking: Evidence from France"

Sabri Boubaker - Université Paris-Est Créteil-Val de Marne, France
Wael Rouatbi - Université Paris-Est Créteil-Val de Marne, France
Pascal Nguyen - University of Technology Sydney, Australia

Discussant: Ewa Sletten - Boston College, United States

We investigate whether multiple large shareholders (mls) affect corporate risk-taking. Using hand-collected data on French publicly-listed companies over the period 2003-2007, we show that the presence, number and cumulated votes of mls, other than the largest controlling shareholder (lcs), are associated with less predictable operating performance (roa), market value (Tobin's q) and stock returns. This indicates that mls are able to prevent the lcs to dictate its preference for low-risk projects in order to protect its future consumption of private benefits. As a result, firms undertake better investments regardless of their intrinsic risks, and this eventually leads them to achieve higher performance. Mls are thus confirmed to play a critical role in corporate governance.

HEDGING

Session Chair: Andre Dorsman - Vu University Amsterdam, Netherlands

"Dependence and Value at Risk: Study with Copulas about Capital Markets from the Americas"

Christian Bucio - Universidad Nacional Autonoma De Mexico, Mexico
Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

Discussant: Hoa Nguyen - Deakin University, Australia

We apply copula theory to analyze dependence between stock markets in the western hemisphere, as well as for determining the impact of international diversification analyzing potential losses employing competing value at risk (VaR) methodologies. Copulas used both for dependency and VaR belong to the elliptical copula family. The sample includes 1992-2009 daily time series for the stock market indexes from nine countries: merval (Argentina), bovespa (Brazil), ipsa (Chile), igbc (Colombia), ipc (Mexico), igbvl (Peru), ibc (Venezuela), S&P tsx (Canada), and S&P 500 (united states). The evidence shows a limited dependence among the latin American capital markets and a reasonable relationship between the north American capital markets (Canada, united states and Mexico). The results also show that international diversification opportunities have declined moderately over time. Potential losses are well differentiated, depending of the linking behavior among different market groups.

"Derivative Hedging and IPO Long Run Performance"

Hoa Nguyen - Deakin University, Australia
Ming Hua Liu - Auckland University of Technology, New Zealand

Discussant: Simon Dubecq - Banque De France, France

In this paper, we investigate the role of corporate risk management through the use of financial derivative in influencing the long run performance of a sample of Australian resources companies that went public during the 1994 - 2004 period. We find evidence that derivative users generally outperform non-derivative users in the five year period following listing. When considered in conjunction with exchange rate and commodity price exposures, there is compelling evidence that derivative users with no residual exposures consistently outperform non-derivative users that choose to leave their exposures un-hedged. Furthermore, within the population of derivative users, firms that manage to eliminate exchange rate exposures tend to perform better than those hedgers that are left with significant residual exchange rate exposures. Our results complement the existing literature that argues for the value enhancing role of corporate hedging via the use of financial derivatives.

"Shock on Variable or Shock on Distribution with Application to Stress-Tests"

Simon Dubecq - Banque De France, France
Christian Gourieroux - CREST, France

Discussant: Edgar Ortiz - Universidad Nacional Autonoma De Mexico, Mexico

The shocks on a stochastic system can be defined by means of either distribution, or variable. We relate these two approaches and provide the link between the local effects of both types of shocks. These methodologies are used to perform stress-tests on the portfolio of financial institutions by means of shocks on systematic actors, for which we distinguish the cases of crystallized and optimally updated portfolios.

VALUATION
Session Chair: Roselyne Joyeux - Macquarie University, Australia

"Drivers Creating Shareholder Value in South African Manufacturing Firms"
John Hall - University of Pretoria, South Africa

Discussant: Katarzyna Platt - Baruch College and Graduate Center - CUNY, United States

The objective of this study was to analyze the value drivers of manufacturing firms listed on the Johannesburg stock exchange. Unique performance measurement tools and processes exist in the manufacturing industry. The creation of shareholder value however, should be the goal of any manager in a firm. Shareholder value can be measured in a number of ways. In order to optimize shareholder value creation, value drivers that management can control, need to be identified. A multiple regression analysis was used to identify the significant micro-value drivers of south African manufacturing firms. It was found that the value drivers that are significant in the explanation of shareholder value are the cost of goods to sales percentage, the degree of manufacturing leverage and the capital investment in plant and equipment. Value-based management can guide manufacturing managers towards optimal shareholder creation.

"European Union Enlargement and Corporate Valuations"
Katarzyna Platt - Baruch College and Graduate Center - CUNY, United States

Discussant: Iraj Fooladi - Dalhousie University, Canada

This study seeks to examine the effects of the European union (eu) accession announcement on the valuations of the companies in the prospective new member states. I examine corporate level data from eight central European countries, all of which joined the European union in may 2004. My analysis reveals that the announcement of membership to the eu increased the Tobin's q ratios of the publicly traded firms domiciled in these countries. This increase in value can be attributed to a drop in the cost of capital and an increase in new opportunities available for companies in the prospective new eu-member states resulting from their anticipated inclusion in the common market.

"Could Social Responsibility Create Value?"
Ali Fatemi - Depaul University, United States
Iraj Fooladi - Dalhousie University, Canada

Discussant: Nguyen Thanh Cuong - Nha Trang University, Vietnam

We develop valuation models that consider firms' expenses on corporate social responsibility activities and show that, under certain circumstances, csr expenditures create value for the firm. We also test our models by simulations and confirm that, with the variables we chose, being socially responsible would mostly pay off.

"The Effect of Capital Structure on Firm Value for Vietnam's Seafood Processing Enterprises"
Nguyen Thanh Cuong - Nha Trang University, Vietnam
Nguyen Thi Canh - Vietnam National University, Vietnam

Discussant: John Hall - University of Pretoria, South Africa

The purpose of this paper is to investigate whether there is an optimal leverage at which point firm is able to maximize its value. An advanced panel threshold regression model is applied to test the panel threshold effect of capital structure on firm value among 92 Vietnam's seafood processing enterprises (seas) from

2005 to 2010. In this study, we use roe as surrogate for firm value and debt ratio (da) as surrogate for capital structure and as the threshold variable. The empirical results strongly indicate that two-threshold effect exists between debt ratio and firm value. Besides, the coefficient is positive when debt ratio is less than 59.27%, which implies that debt financing can improve firm value. The coefficient is negative and presents a decreasing trend when the debt ratio is between 59.27% and 94.60% or above 94.60%, implying that, in that regime, a further increase in debt financing, deteriorates firm value.

6:00 - 7:00 Bus Transfer from Novotel to Aula AGH (Every 15 minutes)

KEYNOTE SPEECH

7:15-8:15 p.m. Aula AGH

Professor Jay R. Ritter
University of Florida, USA

THE DEATH OF THE IPO MARKET FOR SMALL COMPANIES

In both Europe and the US, investors have earned very low returns on small company IPOs. The number of small companies going public in the US dropped by more than 80% from 1980-2000 to 2001-2011. In the US, the Jumpstart Our Business Startups (JOBS) Act has been passed, relaxing Sarbanes-Oxley requirements and removing constraints on sell-side analyst conflicts of interest in order to stimulate the market for small company IPOs. The problem is not a broken IPO market, however. The problem is the lack of profitability of small companies. Technological changes have increased the importance of getting big fast, and companies are choosing to merge as a way of accomplishing this.

Sponsored by
LeBow College of Business
Drexel University, USA

8:15 - 9:00 Bus Transfer from Aula AGH to Crown Piast Hotel (Every 15 minutes)

DINNER

9:00 p.m.- midnight Crown Piast Hotel

NOTES

NOTES